



CITIZEN

INTEGRATED REPORT

CITIZEN REPORT
2025

A full-page photograph of a lush green park. A dark, winding path leads through a grassy area with many trees. The trees have vibrant green leaves, some showing a yellowish tint. In the background, a wooden bench is visible on the right, and a paved area is on the left. The sky is a pale blue.

Corporate Philosophy

Loved by citizens, working for citizens.

CITIZEN's corporate philosophy, "Loved by citizens, working for citizens" is to deeply contribute to the lives of people around the world through the manufacturing of products that are loved and trusted by citizens.

CITIZEN Forest — first project certified under the TSUNAG program by the Ministry of Land, Infrastructure, Transport and Tourism



Contents

Introduction

- 03 History of the CITIZEN Group
- 05 Value Creation Story

Management Strategies for Enhancing Corporate Value

- 07 Message from the President & CEO

Medium-term Management Plan 2027

- 11 Review of the Medium-term Management Plan 2024
- 13 Medium-term Management Plan 2027
- 15 Management and Financial Strategy

Business Strategies

- 17 Watches
- 21 Machine Tools
- 25 Devices and Components

Sustainability Strategy

- 27 Sustainable Management
- 28 Identification of the Materiality
- 29 Sustainable Products
- 31 Sustainable Factories
- 31 Thorough Compliance
- 33 Environment
- 35 Stakeholder and Supply Chain Engagement
- 36 CITIZEN OF THE YEAR
- 37 Human Resources Strategy

Strengthening the Management Foundation

- 39 Corporate Governance
- 42 Message from an Outside Director

Corporate Data

- 43 Financial and Non-financial Highlights
- 45 Management Team
- 47 Dialogue with Shareholders and Investors
- 48 Corporate Information

Editorial Policy

The CITIZEN REPORT provides a concise and accessible overview of the CITIZEN Group, with consideration given to its environmental impact. For more detailed information, please visit our official website.



Cautionary Note on Forward-Looking Statements

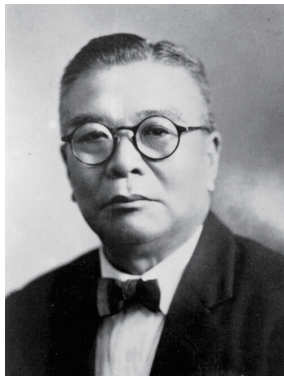
This report contains forward-looking statements based on information available at the time of publication. These statements involve various risks and uncertainties. Please note that actual results might differ from these forecasts due to changes in the market environment and other factors.

About the “TSUNAG” Certification for Quality Green Space Initiatives

As part of the Urban Development GX initiative, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) introduced a new certification program under the revised Urban Green Space Act, which came into effect in November 2024. Under this program, the Minister evaluates and certifies corporate initiatives to secure quality green spaces from the perspectives of climate change mitigation, biodiversity conservation, and the enhancement of well-being. This marks the first round of certifications granted under the program.



History of the CITIZEN Group



Founder of Citizen Watch Co., Ltd.
Kamekichi Yamazaki

Watches Business

Founded in 1918 by Kamekichi Yamazaki with a strong desire to create Japanese-made timepieces at a time when Swiss and American pocket watches dominated the market; developed in-house machinery to improve accuracy and established a watchmaking school to train skilled technicians; the first product was named "CITIZEN" by Count Shinpei Goto, then Mayor of Tokyo, with the hope that it would be "loved by citizens for years to come."

The first pocket watch bearing the name "CITIZEN"

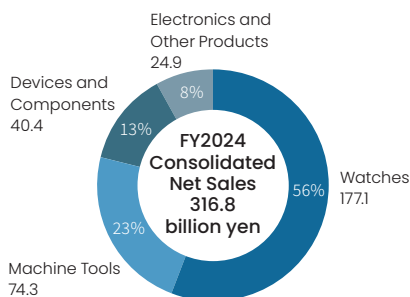


In the U.S. middle-range market

Top-tier share

In movement sales

A global leader



(billion yen)

Rooted in watchmaking. Evolving into a Group that serves society at large.

From its origins in watchmaking, CITIZEN has continued to leverage its micro-precision technologies to take on new challenges across diverse fields.

Its relentless pursuit of innovation led to the creation of new businesses—such as machine tools and devices—which grew into standalone companies and eventually formed today's CITIZEN Group.

As society has evolved, CITIZEN has responded to the needs of the times, shaping the Group we know today.

1910

•1918

Established Shokosha Watch Research Institute, predecessor of Citizen Watch Co., Ltd.



•1931

CITIZEN's first wristwatch: CITIZEN F



•1952

Japan's first wristwatch with a calendar function: Calendar



•1959

Japan's first fully waterproof watch: Parawater



•1924

CITIZEN's first pocket watch



•1956

Japan's first shock-resistant watch movement: Parashock



•1936

Began in-house production of watchmaking precision machinery: AL-1



•1961

Began external sales of machine tools



•1957

Cam-operated automatic lathe

Machine Tools

Developed in-house precision machinery as an alternative to expensive Swiss-made machines; began external sales in 1961.

In small and mid-sized CNC automatic lathes

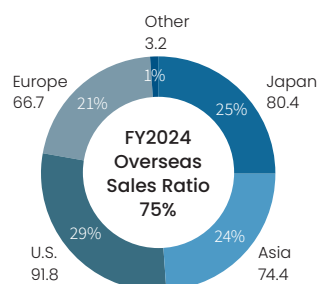
Top-tier global market share

Devices and Components

Applied precision processing and micro-precision technologies cultivated through watch assembly.

•1964

Entered office equipment sector



(billion yen)

2030
▼

•1970

World's first
titanium wristwatch:
X-8 Cosmotron Chronometer



•1993

World's first
multi-band
radio-controlled watch:
Cal.7400



•2011

World's first
satellite-synchronized watch:
Eco-Drive Satellite Wave



•2021

Mechanical model with
new mechanical movement:
The CITIZEN



•1976

World's first
solar-powered analog watch:
Cryston Solar Cell



•2012

Acquired shares of
Prothor Holding SA

•2008

Acquired shares of
Bulova Corporation



•2016

World's thinnest
light-powered watch with a
1mm movement:
Eco-Drive One

Acquired shares of
Frederique Constant



•2024

100th anniversary
of the first CITIZEN
pocket watch
Special Limited Edition
Pocket Watch

•1970

World's first
automatic NC lathe: D16



•1996

First network-compatible
NC automatic lathe: L20



•1986

Long-selling
NC automatic lathe with a
sliding headstock: L16



•2011

Citizen Machinery Co., Ltd.,
and Miyano Machinery Inc.
merged



•2018

Friction bonding
technology



•2022

Total solution models combining machines
and peripheral devices



•2013

Multi-station
machining cell: MC20



Low Frequency
Vibration-Cutting (LFV)
Technology

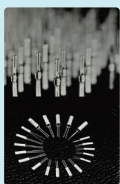
•1983

World's first
IC sensor-equipped
electronic thermometer:
CT-20



•1997

Home-use
ultrasonic cleaner:
SW1500



•2011

High-efficiency
LED lighting:
COB Series

•2017

Industry's smallest class in
height and width thermal printer:
CT-S255



•1976

Started production of
crystal oscillators
(tuning-fork type) for
CITIZEN watches

•1990

Applied watch component
processing technologies
to manufacturing
automotive parts



•2007

Dye-sublimation
thermal transfer
digital photo printer:
CX Series



•2013

Compact linear motor
galvanoscanner:
GVM Series



•2023

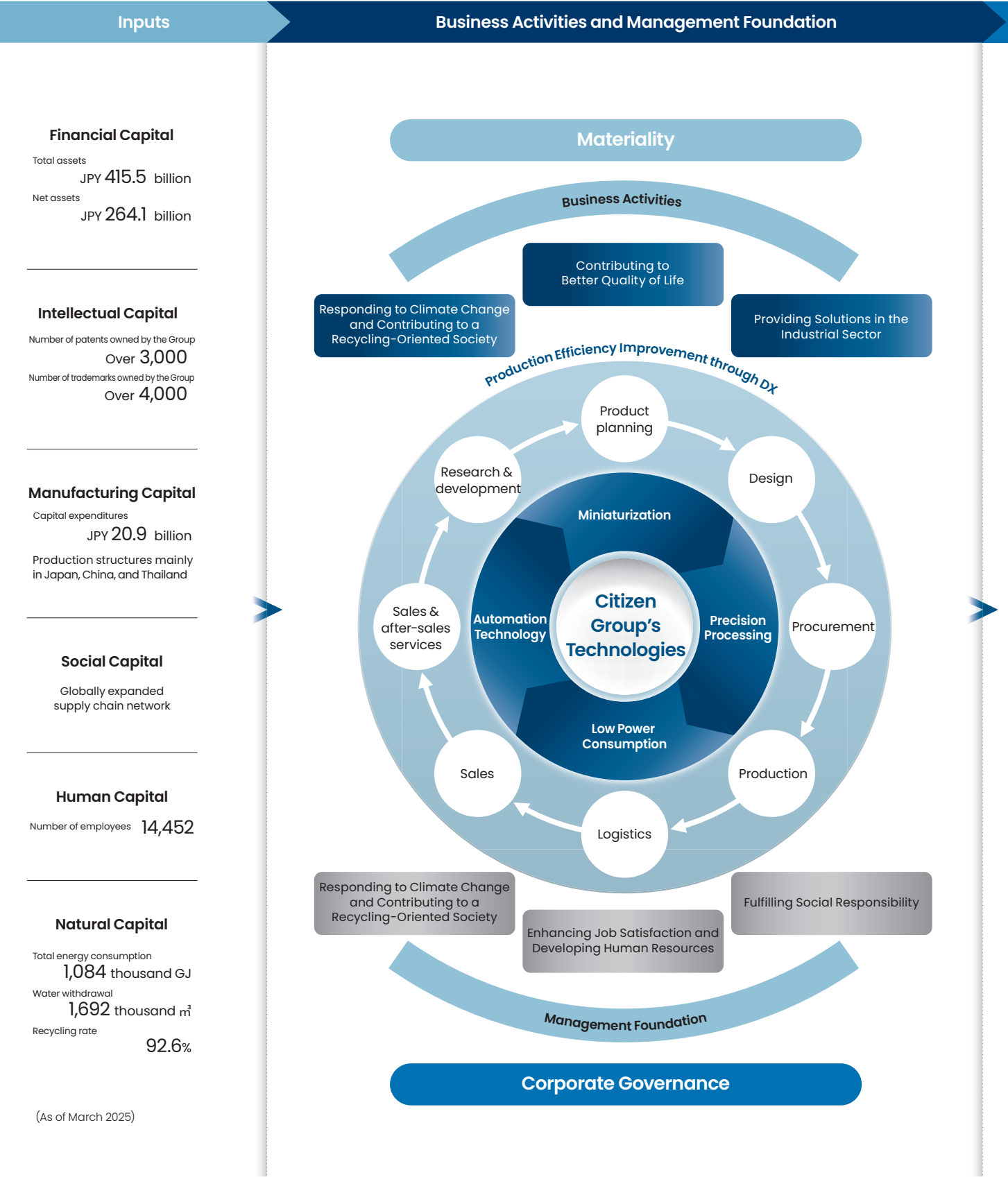
Receipt printers:
CT-S801111 / CT-S851111



•2021

Ultra-compact ceramic
fluid dynamic bearing





Outputs

Outcomes

Value Provided

Providing Sustainable
Products

Watches

Providing products and services
that help customers express themselves and
their thoughts



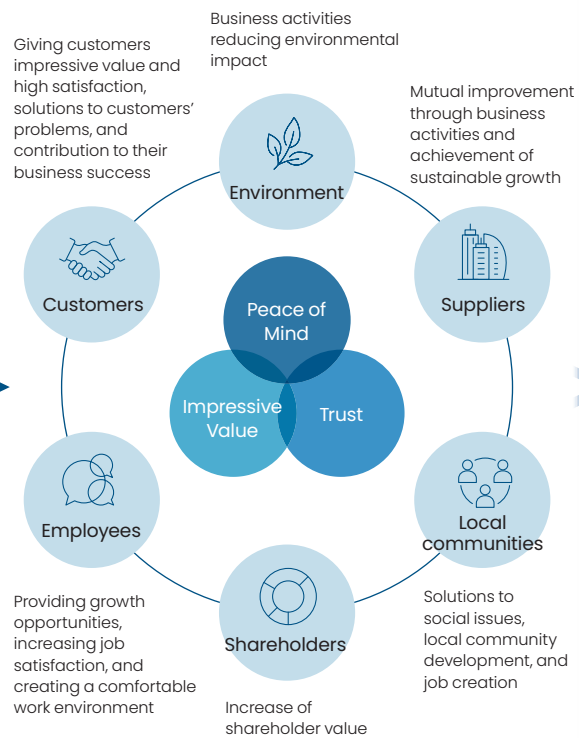
Machine Tools

Providing globally pioneering
solutions for production innovation



Devices and Components

Providing key devices that support industries
and people's lives around the world

Realizing the Sustainable
Factory Concept

The CITIZEN Group's Long-term Vision
Crafting a new tomorrow

Corporate Philosophy
Loved by citizens, working for citizens.

Message from the President & CEO

Crafting a new tomorrow

United in a single team across the Group,
we strive to realize our corporate philosophy.

Citizen Watch Co., Ltd.
President & CEO

Yoshitaka Oji



Upon Assuming the Role of President

In April 2025, I assumed the role of President and CEO of Citizen Watch Co., Ltd. Drawing on my past experience, I am committed to achieving the targets outlined in our Medium-term Management Plan 2027, while also taking a medium- to long-term perspective in enhancing corporate value and driving the CITIZEN Group's continued growth toward realizing our Group Vision 2030.

Since joining the Company in 1986, I have gained broad experience in the Watches Business—from planning and sales to launching overseas factories and promoting product development. Having long been involved in watchmaking, I have a simple yet

enduring desire—to create better products. It is true that enhancing the value of brands and companies through marketing is essential, but I would like to emphasize that this value is built on trustworthy and safe products.

In corporate management, what I value most is teamwork—everyone in the organization united in working toward a common goal. The capacity of each individual is limited, but I believe that when we work together, we can achieve far greater things.

To steadily implement our Medium-term Management Plan 2027, which began in FY2025, we will work as one under the banner of “CITIZEN,” guided by our corporate philosophy: “Loved by citizens, working for citizens.”

Our Commitment to the Corporate Philosophy

True to its name, CITIZEN has placed its corporate philosophy—“Loved by citizens, working for citizens”—at the core of its management since its founding. This philosophy has consistently served as a guiding principle for the Group's sustained growth. Our roots lie in the B2C Watches Business, and the technologies we have developed there have driven our expansion into a wide range of B2B fields, including the Machine Tools and Devices and Components businesses. We believe that all of our businesses ultimately deliver end products that contribute to people's lives. Upon



assuming the role of president, I was reminded of the profound value of this philosophy. Going forward, we remain committed to embodying it by delivering highly reliable products and services that continue to earn the trust of our customers.

Review and Evaluation of the Medium-term Management Plan 2024

Under the CITIZEN Group Vision 2030, which sets forth the goal of “Crafting a new tomorrow,” the Medium-term Management Plan 2024 focused on building a solid foundation for growth through proactive investment.

In FY2024, the final year of the plan, we set numerical targets of 320.0 billion yen in net

sales, an operating profit margin of 8.0%, and an ROE of at least 8.0%. In the Watches Business, favorable exchange rates provided a tailwind. More importantly, however, improvements in product mix across regions led to higher unit sales prices. A strong performance in the North American and European markets also contributed to meeting our targets. The Machine Tools Business achieved its sales target in the first year. However, due to a cyclical slowdown in orders, sales and profit declined from FY2023 onward, and we ultimately fell short of our overall targets. In the Devices and Components Business, we were affected by the slowdown in the Chinese economy. As a result, consolidated net sales and the operating profit margin for the CITIZEN Group

as a whole fell short of the targets. Nonetheless, we succeeded in achieving our ROE target over the full three-year period of the plan, thanks to efforts to improve shareholder returns and optimize asset holdings.

Overall, we believe that we steadily executed the strategies set forth in the plan over these three years. At the same time, we recognize that certain results did not meet expectations and need to be addressed. In the Watches Business, performance in Asia—particularly in China—was weaker than anticipated, and this remains a challenge. In the Machine Tools Business, we recognize the need to strengthen our sales capabilities and service infrastructure in order to remain competitive, even amid the inevitable cyclical fluctuations of the market. In the Devices and Components Business, profitability has been under pressure, and a shift toward a structure capable of generating stable profits is essential. We will continue identifying issues in each business and steadily implement the measures outlined over the next three years.

Advancing toward the Medium-term Management Plan 2027

The Medium-term Management Plan 2027, launched in FY2025, marks the second phase toward realizing the CITIZEN Group Vision 2030. Building on the growth foundation established during the first phase, we will pursue further growth and enhanced profitability to improve our corporate value.

In the Watches Business, the core segment for the Group’s growth, we will focus on enhancing brand value to drive growth and improve profitability. We need to manufacture high-value-added products with greater emotional value. In the Machine Tools Business, we have enhanced the production system and are nearly prepared to leap forward. We will now implement key strategic initiatives centered on reinforcing sales capabilities and creating customer value, with a goal of achieving 100.0 billion yen in net sales during this medium-term period. In the Devices and Components Business, we need to press ahead with selection and concentration and allocate more resources to growth businesses to transform them into profitable businesses that will grow steadily.

As society undergoes rapid transformation, both organizations and individuals must enhance their resilience. By staying flexible and responding to change with sound judgment, we aim to achieve our FY2027 targets.

Sustainable Management

In response to a rapidly changing business environment, the CITIZEN Group has conducted a comprehensive review of the materiality assessment of social issues and identified five key material issues based on their significance and impact: (1) responding to climate change and contributing to a recycling-oriented society, (2) contributing to a better quality of life, (3) providing solutions in the industrial sector, (4) enhancing job satisfaction and developing human resources, and (5) fulfilling social responsibility. While these five material issues remain unchanged from the previous Medium-term Management Plan, we have updated our initiatives based on climate scenario analyses and evolving internal and external conditions.

We have defined products and services that help address social issues related to the first three material issues and support business

growth as sustainable products. We have also established a new target for their sales ratio as a percentage of the Group's consolidated net sales.

While delivering high-quality products is essential, we believe it is equally important to pursue responsible manufacturing practices that minimize environmental impact and respect human rights and labor conditions—and to ensure the continued implementation of these practices. We will continue to strengthen our efforts across the entire value chain.

The CITIZEN Group has also expressed support for the disclosure recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD),*¹ and in April 2025, we registered as a TNFD Adopter.*² Since March 2023, we have been participating in the TNFD Forum,*³ and we plan to begin nature-related disclosures aligned with the TNFD recommendations in FY2026.

Through our CITIZEN Group Biodiversity Vision, we recognize the critical roles that biodiversity and ecosystem services play, as well as the impact our business activities have on them. We are committed to conserving biodiversity in collaboration with local communities. By contributing to the development of the TNFD's disclosure framework and promoting appropriate disclosures related to natural capital, we aim to build stronger relationships with stakeholders—including shareholders and investors—while continuing to bolster our long-term corporate value.

*1 Taskforce on Nature-related Financial Disclosures (TNFD): An international initiative established to develop a framework for businesses to manage and disclose nature-related risks

*2 TNFD Adopter: A company or organization that has expressed its intention to adopt and disclose information in line with the TNFD recommendations

*3 TNFD Forum: An international group of stakeholders providing expertise and support to the TNFD initiative



Switched the dials of light-powered Eco-Drive watches to recycled polycarbonate made from 100% recycled materials



Donated accessible wristwatches to graduates of a school for the visually impaired in Thailand

Digital Transformation Strategy

Under the new Medium-term Management Plan, we have set a clear policy of transforming our business processes to become more efficient and customer-centric by leveraging data and digital technologies. Key initiatives include standardizing design and driving process innovation through the use of 3D CAD data, as well as promoting the use of generative AI. We are also working to build a robust data management framework, foster digital talent, and utilize digital tools to facilitate the transfer of technological expertise and skills.

In the Watches Business, we are already seeing results in North America, where closer engagement with users has led to significant growth in direct-to-consumer e-commerce sales. Going forward, we will expand these successful initiatives to other regions to further drive sales.



Human Resources Strategy

As part of the previous Medium-term Management Plan, the CITIZEN Group articulated its Group Human Resources Vision 2030: “Each employee feels a sense of pride in working at CITIZEN as they contribute to the realization of its long-term vision.” To achieve this vision, we are focusing on three key initiatives: enhancement of job satisfaction, development of human resources, and DEI (Diversity, Equity & Inclusion).

In terms of job satisfaction, our aim is to achieve sustainable corporate growth alongside employee well-being by strengthening engagement and advancing health and

productivity management. For human resource development, we are not only cultivating transformative leaders but also securing and nurturing talent essential for business continuity. To support this, we are standardizing talent and skill management systems across the Group to facilitate the transfer of knowledge and skills and to improve visibility into our human capital. In promoting the active participation of diverse human resources, we are advancing our DEI initiatives. As part of this effort, we are systematically developing and promoting female candidates for managerial positions.

As it becomes increasingly difficult to recruit talent, we recognize the importance of strengthening not only our compensation systems and work-life balance policies but also initiatives that make CITIZEN an attractive place to work. To this end, we aim to foster a greater sense of unity by encouraging communication within the Group—across all positions, age groups, and genders. Our goal is to nurture as many vibrant, inspiring employees as possible—those who are admired by their colleagues.

Message to Our Stakeholders

Over more than 100 years of history, CITIZEN has built world-class technological expertise in miniaturization, precision processing, low power consumption, and automation technology. These strengths form the very foundation that has sustained our business to this day. Looking ahead, we will focus on translating these capabilities into greater external recognition and value. We will continue to drive added value in our core Watches and Machine Tools businesses, and further enhance the global presence of our brands. To achieve this, I will call on all Group employees—including myself—to transform how we think and act in our work.

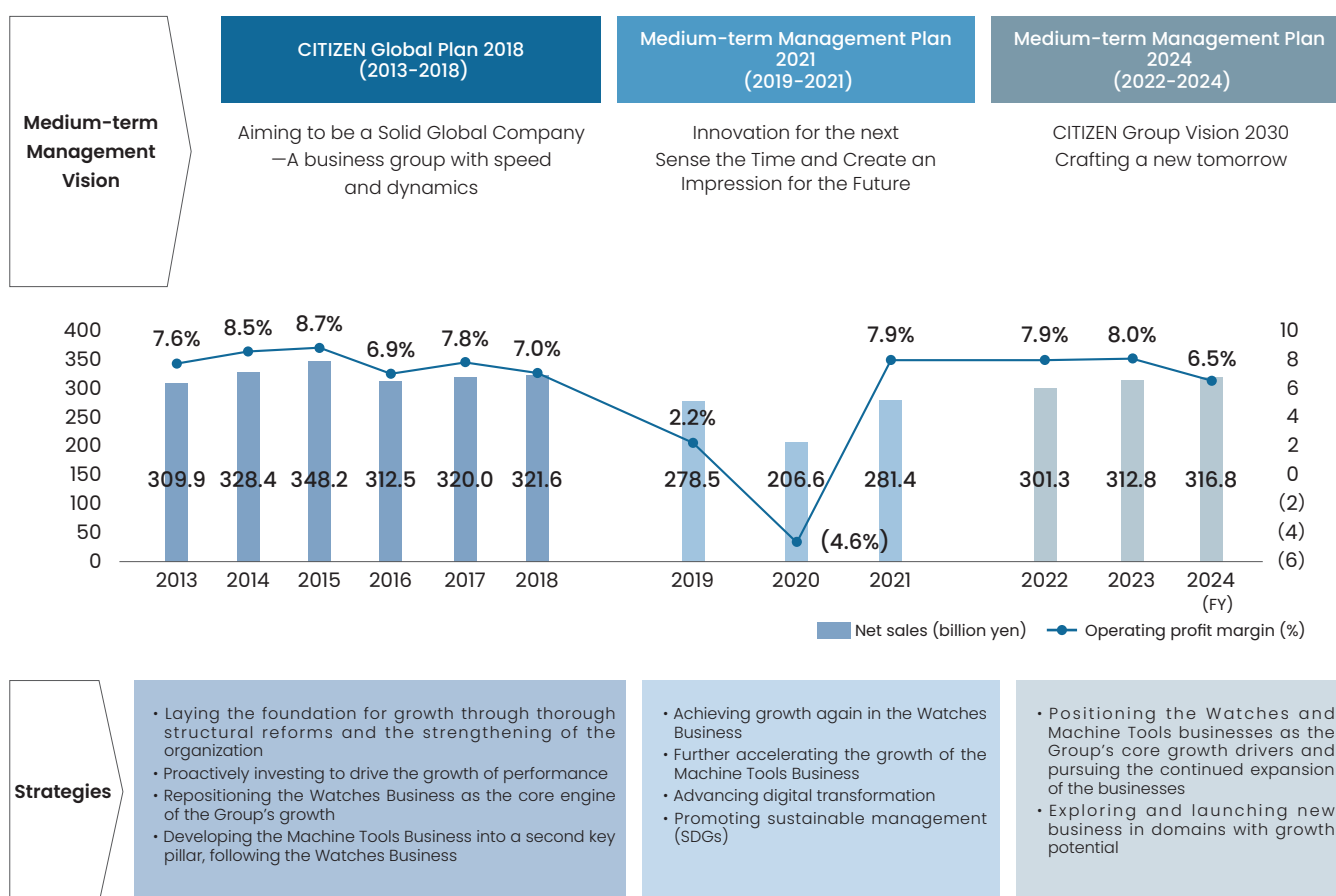
Guided by our corporate philosophy—“Loved by citizens, working for citizens”—we will work together as a Group to achieve our FY2027 targets and ensure the sustainable growth of our business well into the future. We sincerely appreciate your continued support and understanding.

Review of the Medium-term Management Plan 2024

Under the Medium-term Management Plan 2024, we formulated the CITIZEN Group Vision 2030 with the goals of “Crafting a new tomorrow” and laying the foundation for our growth by proactively investing to realize our vision. In the plan, we set quantifiable targets, including net sales of 320.0 billion yen, an operating profit margin of 8.0%, and an ROE of 8.0% or higher.

In FY2024, the final year of the plan, we achieved net sales of 316.8 billion yen and an operating profit margin of 6.5%, falling short of the targets. However, in the Watches Business, the product mix improved in all regions, leading to a steady increase of unit sales prices. As a result, we exceeded our Watches Business targets, 160.0 billion yen in net sales and a 9.0% operating profit margin, one year ahead of schedule. In the Machine Tools Business, although we were affected by a cyclical slowdown of orders, we steadily enhanced production capacity in preparation for the next phase of the recovery. Regarding ROE, thanks to our efforts to enhance shareholder returns and optimize the assets we hold, we have successfully met our ROE targets set in the Medium-term Management Plan for three consecutive years.

Previous Medium-term Management Plans



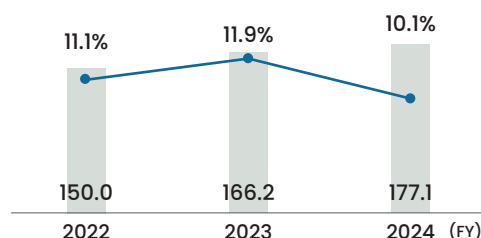
	CITIZEN Global Plan 2018	Medium-term Management Plan 2021	Medium-term Management Plan 2024	
	FY2018 Results	FY2021 Results	FY2024 Targets	FY2024 Results
Net Sales	321.6 billion yen	281.4 billion yen	320.0 billion yen	316.8 billion yen
Operating profit	22.4 billion yen	22.2 billion yen	—	20.5 billion yen
Operating profit margin	7.0%	7.9%	8.0%	6.5%
ROE*	5.2%	10.2%	8.0% or higher	9.5%

* ROE = Profit attributable to owners of parent / Equity capital (average of amounts at beginning and end of fiscal year)

Results by Business

Watches

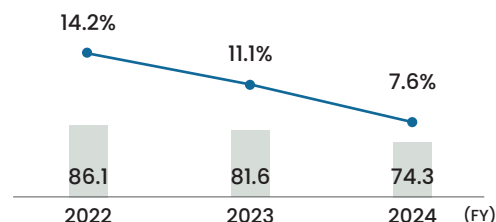
Net sales increased for the third consecutive year, supported by the continued growth of the North American and European markets and the recovery of the domestic market. The operating profit margin also remained at a high level exceeding 10%.



Machine Tools

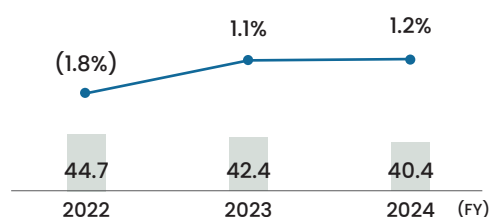
The Medium-term Management Plan 2024 net sales target of 86.0 billion yen was reached early—in FY2022.

Both sales and profit declined starting FY2023 due to cyclical market fluctuations, but we steadily strengthened the foundation of our business by expanding production capacity.



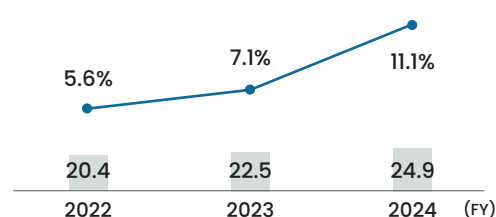
Devices and Components

The business struggled due to the impact of the Chinese economy and sluggish demand in the automotive parts market. However, efforts were made to improve profitability.



Electronics and Other Products

Although the healthcare business was sluggish due to adverse exchange rates and weak sales, the performance of the photo printer business was strong as it was backed by robust demand, and it contributed to overall profitability.



■ Net sales (billion yen) — Operating profit margin

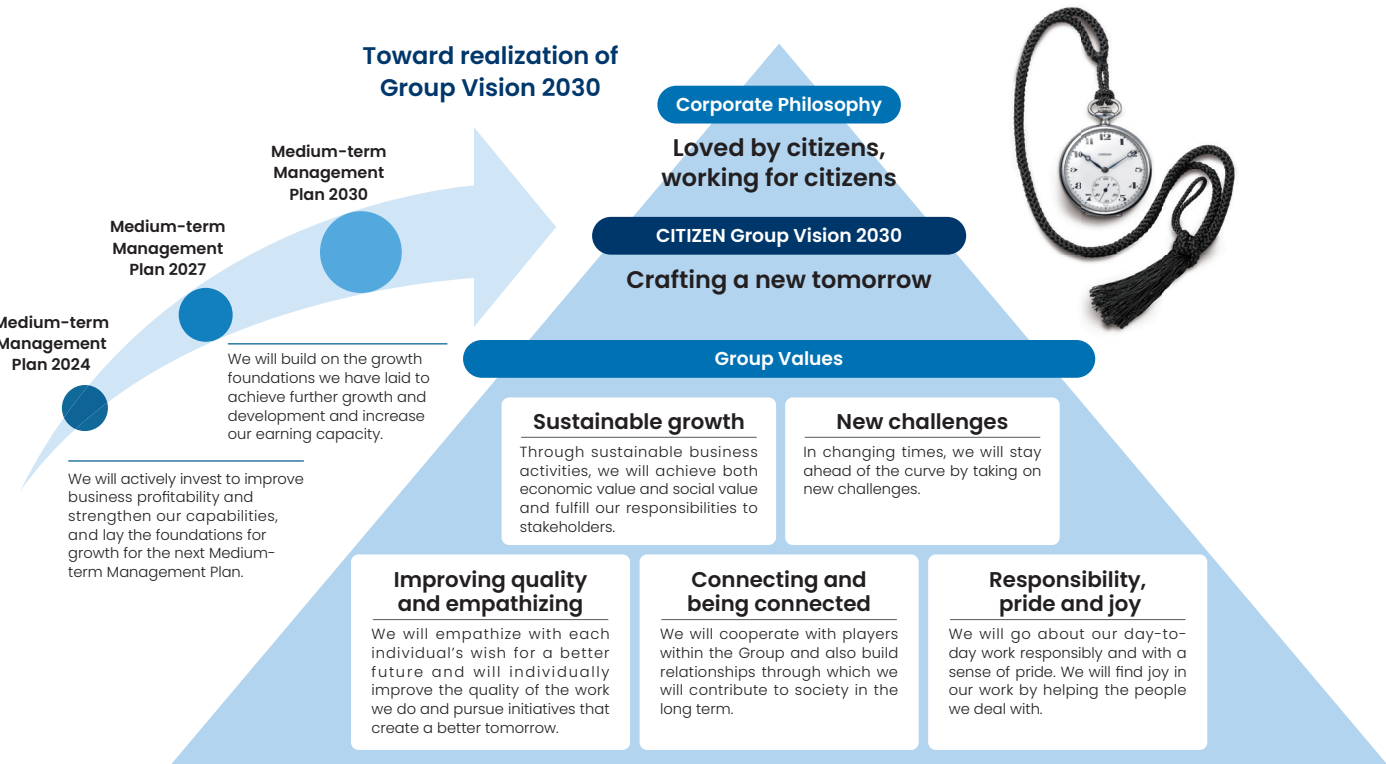
Review of Key Measures by Business

Watches Business: Improve profitability and achieve sustainable growth		Progress
■ Global brand strategy	▶	■ PROMASTER achieved steady growth, especially in North America and Japan. ■ Launched CITIZEN L globally from FY2023. ■ The share of net sales generated by global brands remains low, resulting in a limited impact on overall sales performance.
■ Premium brands and mechanical watches strategy		■ The number of Premium Doors stores, which offer high-end products such as The CITIZEN, has reached 43, representing a 20% increase compared with FY2021. ■ Series 8 became a global brand, launched in Europe in FY2023 and North America in FY2024.
■ Continued enhancement of user contact points and use of data		■ Centralized customer contact points, and achieved target number of MY CITIZEN subscribers. ■ Warranties digitalized in Japan. ■ Data are still not being utilized in product planning and new services.

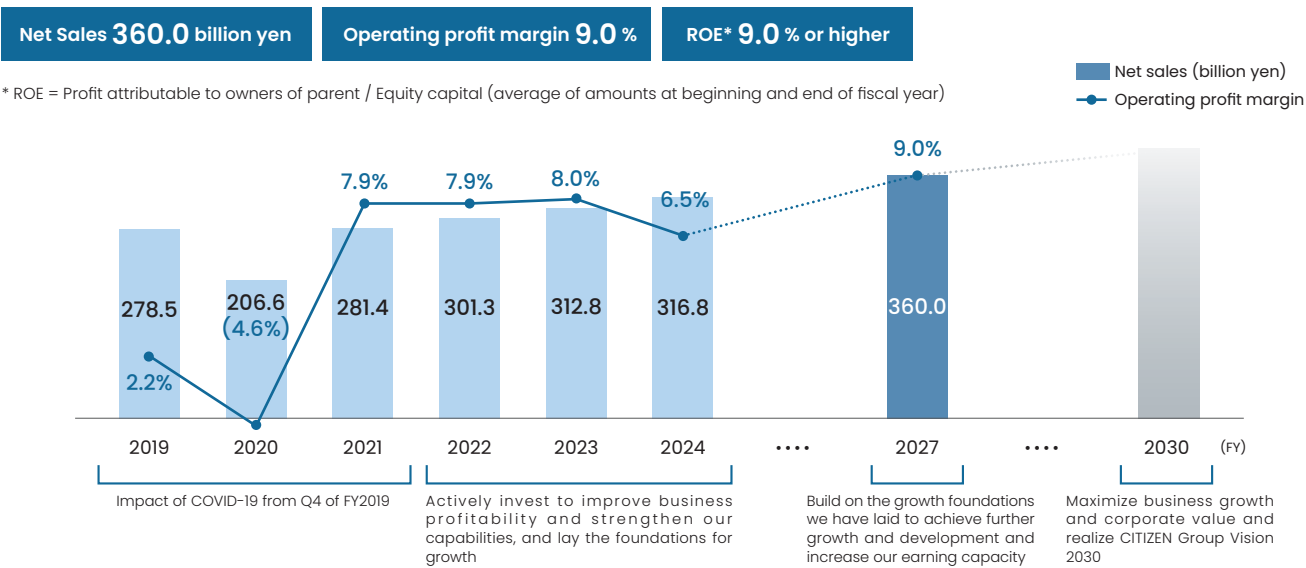
Machine Tools Business: Achieve further growth		Progress
■ Establishment of business foundations with an eye toward achieving net sales of 100 billion yen	▶	■ With the completion of capital investment at Karuizawa Headquarters and in Thailand and China, production capacity increased 40% compared with FY2021, putting in place the structure to achieve our targets.
■ Differentiation by leveraging processing technologies		■ Made steady progress on LFV (low-frequency vibration cutting) products, expanding sales worldwide, including in Asia, with cumulative shipments as of FY2024 topping 7,000 units.
■ Expansion of areas where automation/labor-saving measures are applied		■ Used CRM function to gather and analyze information on potential automation projects and use this in proactive sales activities.

Positioning of the CITIZEN Group Vision 2030 and the Medium-term Management Plan 2027

The CITIZEN Group has formulated CITIZEN Group Vision 2030 as the Group’s long-term vision reflecting various future environmental changes that are predicted to occur down the road. The Medium-term Management Plan 2027 builds on the growth foundation established during the three years of the Medium-term Management Plan 2024, and its goals are the continued growth and development of each business and the enhancement of overall profitability.



Numerical Targets for FY2027



Materiality

Materiality	Classification	Measures	Related business		
			Watches	Machine Tools	Devices and Components
Responding to climate change and contributing to a recycling-oriented society 	Response to climate change	• Supply machine tools certified as EcoBalance Machines* provide components for eco-friendly cars (EVs and HVs); supply ENERGY STAR® compliant POS, barcode, and photo printers; and provide LED for lighting, etc.		○	○
		• Reduction of CO ₂ emissions, expansion of renewable energy, etc.	○	○	○
	Contribution to a recycling-oriented society	• Sales of light-powered and mechanical watches, etc.	○		○
		• Reduction of water usage, promotion of recycling, management of hazardous chemicals, reduction of packaging materials, etc.	○	○	○
Contributing to better quality of life 	Contribution to diverse lifestyles	• Sales of wristwatches for the visually impaired, etc.	○		
		• Sales of small switches for smartphones, etc.			○
	Contribution to medical care and healthcare	• Sales of specimen-holding plates for bacterial analysis, thermometers and blood pressure monitors that are easy for anyone to use, etc.			○
Providing solutions in the industrial sector 	Provision of labor-saving and automation solutions	• Sales of machine tools certified as EcoBalance Machine* and machine tools equipped with LFV (low-frequency vibration cutting) technology		○	
		• Provision of numbered ticket systems and payment systems, etc.			○
	Contribution to mobility	• Sales of components for advanced braking systems, communication systems, sensors, etc.			○
Enhancing job satisfaction and developing human resources 	Enhancement of job satisfaction	• Implement measures to realize employee well-being and improve employee engagement, provide training opportunities, implement health management measures, etc.	○	○	○
	Development of human resources	• Continue with the Group succession plan, develop human resources who will drive change, expand recruitment methods, and coordinate with the Group	○	○	○
	Diversity, equity and inclusion	• Systematically train and promote female management candidates, encourage male employees to take childcare leave, implement measures to promote the active participation of diverse human resources, etc.	○	○	○
Fulfilling social responsibility 	Strengthening of risk management	• Update and operate the Group's significant risks, etc.	○	○	○
	Enhancement of quality compliance	• Conduct activities to promote the Quality Code of Conduct, etc.	○	○	○
	Respect for human rights and labor practices	• Implement human rights due diligence, etc.	○	○	○
	Promotion of sustainable procurement	• CSR procurement, green procurement, responsible minerals procurement, etc.	○	○	○

* EcoBalance Machine: A selection of machine tools that meet our company's internal standards and are part of our environmentally friendly product and technology product group, launched in FY2024

Business Portfolio

CITIZEN Group Basic Policy

With the Watches Business and the Machine Tools Business positioned as the Group's core businesses, we aim for further growth and development while also focusing on improving profit margins and capital efficiency and achieving sustainable improvement in corporate value.

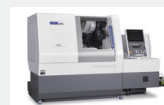
Watches

Drive business growth and enhance profitability by elevating the value of our brands.



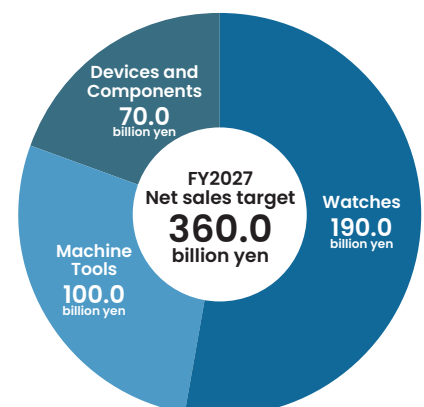
Machine Tools

Demonstrate the true value of "manufacturing and sales innovation" and drive the sales expansion and customer development in the global market, aiming to achieve net sales target of 100 billion yen.



Devices and Components

Develop into steadily expanding, highly profitably business through implementation of product selection and concentration strategy and increased investment of resources in growth businesses.



Strategically investing to drive the increase of corporate value

Senior Managing Director
Toshiyuki Furukawa



Capital Policy under the Medium-term Management Plan 2027

Continuing from the previous Medium-term Management Plan 2024, we will position the Watches and Machine Tools businesses as the Group's core growth drivers. By strategically allocating resources to these areas, we aim to further accelerate growth.

In terms of cash allocation, we plan to invest a total of 80.0 billion yen in growth and rationalization during the three-year period from FY2025 to FY2027, exceeding the amount invested during the previous plan. These investments will be focused primarily in three areas: the Watches Business, the Machine Tools Business, and digital transformation (DX). As with the previous plan, we expect to allocate more than 70% of the total amount we are investing to the core businesses. However, as our investment of capital in the Machine Tools Business, mainly to enhance production capacity, was largely completed in the past three years during the previous Medium-term Management Plan, in and after FY2025 we will shift our focus to intensifying our investment in the Watches Business.

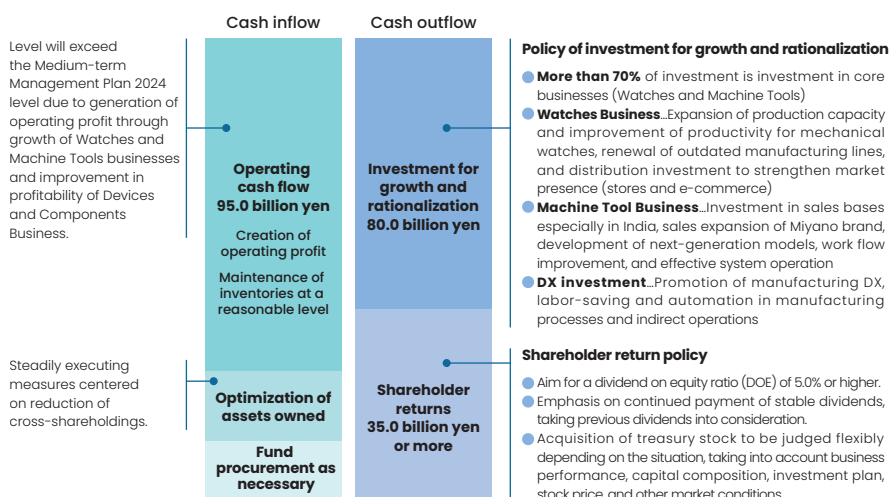
In the Watches Business, we will advance our global strategy, strengthen initiatives in the North American market (our largest market)

and increase the added value of our entire product lineup. Through these efforts, we will continue to invest in growth to enhance our brand value while also pursuing rationalization investments to reinforce profitability. In the Machine Tools Business, we will build on the production infrastructure established under the

previous plan while focusing our investments on the enhancement of sales networks, the development of next-generation models, and upgrading systems to improve operational processes. We will also invest in the creation of data-driven user value and advancing the digital transformation (DX) of manufacturing.

Cash Allocation

Total amounts in the three years from FY2025 to FY2027



Shareholder Return Policy

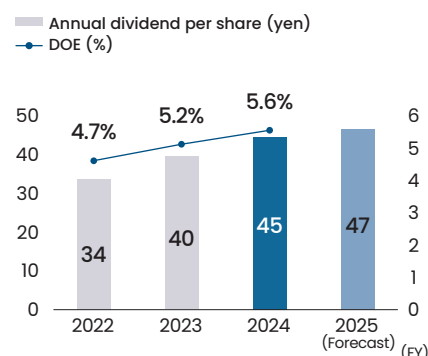
In the Medium-term Management Plan 2027, we have introduced a new indicator for dividends: dividend on equity (DOE).^{*} Targeting a DOE of 5.0% or higher, we aim to consistently provide stable dividends, taking into account our history of paying dividends. We will consider the flexible acquisition of treasury stock, taking into account a range of factors, including our business performance, capital structure, investment plans, and overall market conditions, including stock prices.

We will also continue to manage our balance sheet appropriately, with a clear focus on the cost of capital.

For FY2025, we forecast our annual dividend to be 47 yen per share, an increase of 2 yen from the previous year. This is based on a comprehensive assessment of our stability and the performance of our businesses.

^{*} DOE = Total amount of dividends / Shareholders' equity (average of amounts at beginning and end of fiscal year)

Annual Dividend per Share and DOE

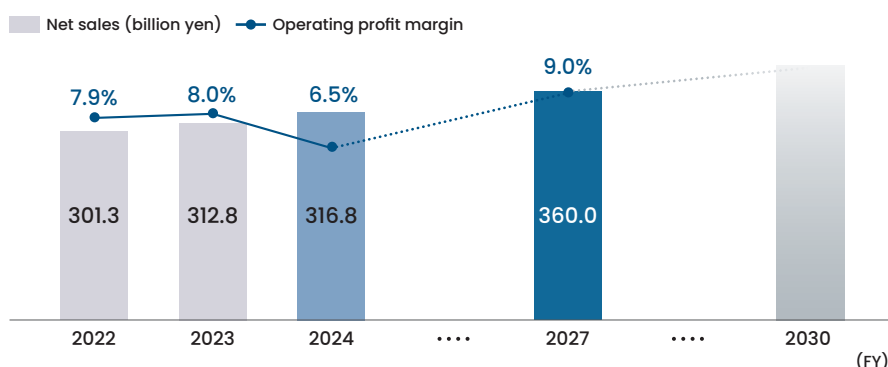


Financial Strategy

At our overseas subsidiaries, we are working to build a cash management system. By controlling the funds of overseas subsidiaries at the head office, we are working to make effective use of the funds by our overseas subsidiaries, improve capital efficiency within the CITIZEN Group, and consolidate funds at the head office.

We are also continuing to reduce our cross-shareholdings and will continue working actively to reduce them.

Numerical Targets for the Medium-term Management Plan 2027



FY2024 Results and FY2025 Outlook

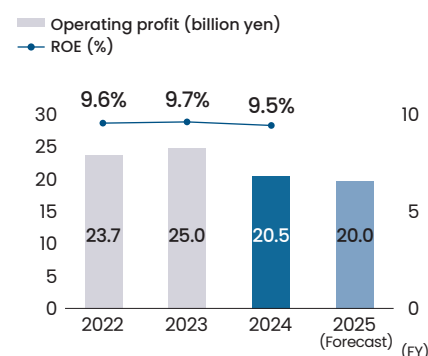
In FY2024, consolidated net sales exceeded expectations, although operating profit fell short of the target. In the Watches Business, an improved product mix across regions led to higher unit sales prices. Although impacted by a cyclical decline in orders, the Machine Tools Business steadily expanded its production capacity in preparation for a full recovery. Thanks to initiatives, including shareholder return initiatives and initiatives to optimize our asset portfolio, we achieved an ROE exceeding 8.0% for the third consecutive year, meeting the target set in the Medium-term Management Plan 2024.

Under the Medium-term Management Plan 2027, we aim to achieve net sales of 360.0 billion yen, an operating profit margin of 9.0%,

and an ROE of at least 9.0% or more in FY2027. Regarding ROE, we recognize the importance of maintaining an ROE of 9.0% or higher on an ongoing basis to consistently exceed our cost of capital, even amid changing conditions.

In FY2025, we are operating in an environment of heightened uncertainty due to U.S. tariff policies and exchange rate fluctuations. Although we forecast a slight decline in the Group's overall consolidated profit in FY2025, sales and profit are expected to grow in our core businesses, Watches and Machine Tools. We will remain focused on executing the strategies set forth in the Medium-term Management Plan 2027 and will continue to promote our continued growth and profitability.

Business Results (Operating Profit / ROE)



Watches

As a world-class manufacturer,
we deliver the timeless value of
watches and craft a new tomorrow.

President and CEO
Yoshitaka Oji



Review of the Medium-term Management Plan 2024

In the final year of the Medium-term Management Plan 2024, the targets of the Watches Business were net sales of 160.0 billion yen, operating profit of 14.5 billion yen, and an operating profit margin of 9.0%. Over the three-year period beginning in FY2022, we steadily improved our product mix across all regions, resulting in higher unit sales prices. This enabled us to achieve our targets in and after FY2023. We achieved continued growth in North America and Europe, and the recovery of the domestic market also contributed to three consecutive years of sales growth. The operating profit margin remained above the 10% threshold throughout the period.

Looking back on our key initiatives, the global brand strategy drove the steady growth of the sales of our global sub-brands, PROMASTER and CITIZEN L, contributing to higher unit sales prices. Recognizing the need to further increase the percentage of total sales that are sales from global sub-brands, we will continue to drive the expansion of their sales under the new Medium-term Management Plan. Under the premium brands and mechanical watches strategy, we

increased domestic points of sale for The CITIZEN and began the global expansion of Series 8 with launches in Europe and North America.

Medium-Term Management Plan 2027

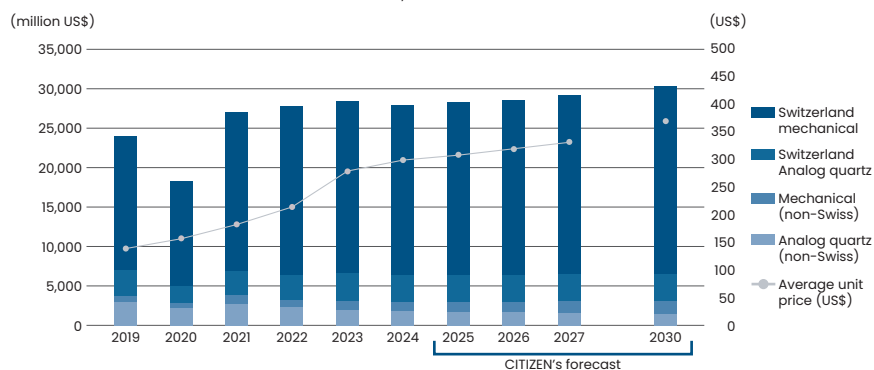
Launched in FY2025, the Medium-term Management Plan 2027 outlines a strategic direction: Drive business growth and enhance profitability by elevating the value of our brands. The plan sets financial targets of net sales of 190.0 billion yen and an operating profit margin of 12.0% in FY2027. The watches market is expected to continue growing

modestly, with shipping quantity declining gradually but shipment value increasing due to rising unit prices reflecting a higher ratio of mechanical watches. Based on this outlook, we have defined three key strategies and are committed to their steady implementation.

One of our core strengths lies in our portfolio of brands, CITIZEN, BULOVA, and FREDERIQUE CONSTANT, which are rooted in Japan, the United States, and Europe, respectively, and in our ability to develop and manufacture movements in both Japan and Switzerland. In addition to expanding sales, we will focus on generating synergies throughout our manufacturing operations.

Forecast Trends in the Watch Market

Source: Estimates of CITIZEN based on Hong Kong trade statistics and data of the Federation of the Swiss Watch Industry



Policy in the Medium-term Management Plan

Drive business growth and enhance profitability by elevating the value of our brands.

FY2027 Financial Targets

Net sales **190.0** billion yen

Operating profit margin **12.0** %

Key Strategies

Enhance value provided by brands through global strategy.

Further step up initiatives in the North American market.

Develop movements for the realization of high-value-added products.

Key Strategy: Enhance value provided by brands through global strategy.

Under the new Medium-term Management Plan, we will leverage our sub-brands to further accelerate enhancement of value provided by the CITIZEN brand. We will expand sales of PROMASTER, CITIZEN L, and Series 8 watches through continued implementation of our global strategy.

We plan to start the global rollout of ATTESA from FY2025 and The CITIZEN in FY2027. We aim to increase the percentage of total CITIZEN brand

sales that are sales of global sub-brands from just above 20% in FY2024 to a target of 35% by FY2027, thereby enhancing the CITIZEN brand image and expanding total sales.

By clarifying the role of each of our five sub-brands, we will improve our product mix and increase added value, thereby driving up average unit prices and promoting the sustained growth of sales. PROMASTER and CITIZEN L will continue to focus on increasing

unit sales prices within our core strength price range of \$400 to \$1,500. ATTESA and Series 8 will aim to capture market share in the \$1,500 to \$3,000 range—a segment that has emerged as a gap in the market due to Swiss brands increasing their prices. Meanwhile, The CITIZEN will continue to cultivate its brand identity as the pinnacle of the CITIZEN brand over the medium to long term.

PROMASTER



Already driving growth globally as a professional sports watch brand.



CITIZEN L



Commenced full-scale global launch from FY2023 as sustainable ladies watch brand.



Series 8



Launched in Europe in 2023 and in North America in 2024, as part of the global launch implemented.



Start of the global rollout of ATTESA and The CITIZEN

ATTESA



Pushing ahead with the global rollout of the ATTESA brand, previously exclusively available in Japan.

Expand sales in overseas markets mainly through direct distribution channels as well as increased handling by jewelry chains and other retailers.

The
CITIZEN

Aiming to commence a global rollout of The CITIZEN brand, previously available in Japan only, in 2027 during the period of the Medium-term Management Plan 2027.

Expand through our flagship store in North America.



Key Strategy: Further step up initiatives in the North American market.

In North America, which is our largest market, we will add the FREDERIQUE CONSTANT brand to our CITIZEN and BULOVA brands, and expand the D2C channel. In FY2024, we positioned our growing direct-to-consumer (D2C) channels e-commerce platform as a digital flagship store. Designed to deliver a premium user experience, communicate brand value, and achieve high profitability, the platform continues to play a key role in driving the expansion of our business. Founded in New York in 1875, BULOVA celebrates its 150th anniversary in 2025. We plan to capitalize on this milestone through media

engagement and the launch of limited-edition models, further enhancing brand value. On the product front, through expansion of our lineup of mechanical watches, we will enhance added value and aim to become a top brand in the \$1,000–\$2,000 price range, which is a step up from the previous price range. In addition to reinforcing our strong brand presence in North America, we are working to elevate our image in Latin America. By renewing our partnership with the Latin Grammy Awards and pursuing other regional initiatives, we aim to expand our market share in the broader Americas.

Key Strategy: Develop movements for the realization of high-value-added products.

We will use Japanese and Swiss development and production technologies to develop high-end mechanical movements for The CITIZEN and upgrade our product lineup. Furthermore, in addition to Series 8, PROMASTER will increasingly focus on mechanical models, and movements made by La Joux-Perret will be featured in FREDERIQUE CONSTANT watches. The goal of these efforts to innovate in the area of movements is to enhance the overall value of our finished products.



“Manufacture La Joux-Perret,” a movement manufacturing company based in La Chaux-de-Fonds, Switzerland, produces a wide range of products, from simple mechanical movements such as manual and automatic winding to complicated ones like tourbillons. They supply these high-quality movements to both internal brands within the Group as well as external brands.

Multi-brand Expansion



BULOVA

BULOVA was founded by Joseph Bulova in New York in 1875. With its advanced technological capabilities, the brand has long been a leader in the watch market. Over the years, BULOVA has created many world firsts, including the world's first tuning fork watch.




FREDERIQUE CONSTANT
GENEVE

In 1988, “FREDERIQUE CONSTANT” was established in Geneva, Switzerland. Founded on the mission of providing classical Swiss-made luxury watches at fair prices.




ARNOLD & SON
1764

ARNOLD & SON bears the name of John Arnold, an English watchmaker who made a name for himself in the 18th century. Inspired by his work, the brand continues to create watches using traditional watchmaking techniques.

Message to Our Customers

We are one of the few companies in the world capable of performing every aspect of watchmaking in-house, from component manufacturing to final assembly, sales, and after-sales service. In addition to our finished product brands, CITIZEN, BULOVA, and FREDERIQUE CONSTANT, we operate movement manufacturing facilities in both Japan (Miyota) and Switzerland (La Joux-Perret), establishing ourselves as a truly unique presence in the global watch industry. Through our brands, we strive to deliver value that resonates with people's lives—timepieces that lift the spirit and enrich everyday moments. We are committed to providing products and services that can be passed down to future generations, sharing the many values embodied in timepieces and crafting a new tomorrow for customers around the world. Through these efforts, we aspire to grow as a company that supports and advances the global watch industry.

ATTESA: A Titanium Watch Symbolizing CITIZEN's Technology

ATTESA takes its name from the Italian word meaning anticipation or expectation.

Since its debut in 1987, this next-generation timepiece brand has embodied CITIZEN's titanium-processing expertise, and it has continued to evolve through the incorporation of world-first innovations that live up to its name. Originally a local brand for the Japanese market, the global rollout of ATTESA will begin in FY2025.

With more than 35 years of history, the brand remains committed to innovation as it steps into a new era.



1. Super Titanium™ — Incredibly light and highly resistant to rust



What materials are best suited for watches that are worn every day? In 1970, when titanium was gaining attention as a space-grade material, CITIZEN launched the world's first titanium-cased wristwatch.

Through years of refinement, we developed Super Titanium™, a proprietary material that is highly resistant to scratches, lightweight, gentle on the skin, and rustproof.

ATTESA also offers models treated with Duratect DLC, marketed as the Black Titanium™ Series. Duratect DLC is known for its versatile tone, which is suitable for both formal and casual wear.

2. Eco-Drive — Runs continuously on any light source



Eco-Drive is CITIZEN's proprietary technology that converts sunlight and even the faintest indoor light into energy to keep the watch running.

It requires no regular battery replacement and can run for more than six months on a single full charge.

CITIZEN launched the world's first light-powered analog watch in 1976. It has since led the way in this field, pioneering new possibilities.

3. Satellite Wave GPS — Precise time, wherever you are



No matter where you are on Earth or how far you travel, as long as there is open sky above, ATTESA quickly receives signals from GPS satellites.

There's no need to manually adjust the time.

Satellite Wave GPS receives location and time data from GPS satellites orbiting 20,000 kilometers above the Earth and automatically updates the watch's time and calendar. When outdoors with minimal obstructions, such as buildings or trees, simply point the dial toward the sky to adjust the watch to the correct time.

ATTESA Special Website:

<https://citizen.jp/attesa/special/index.html>

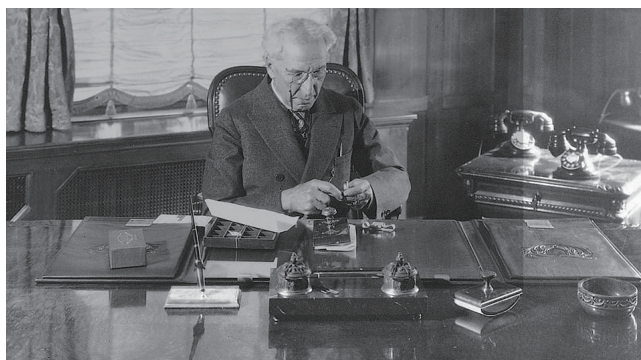


BULOVA Celebrates 150 Years in 2025

150
BULOVA

BULOVA began in 1875, when Joseph Bulova, an immigrant from Bohemia, opened a small jewelry shop in New York City.

Since its founding, BULOVA has embraced the philosophy of "Quality before Quantity-Perfection before Production," establishing itself as a trailblazer in watchmaking and standing alongside many of the most iconic moments in American history. But this is still just the beginning. BULOVA continues to honor its legacy while boldly pushing the boundaries of innovation with heart and conviction.



In September 2024, an event was held in New York to mark the 150th anniversary of BULOVA. The event was broadcast live in Colombia, Brazil, and other Latin American countries to enhance its brand image across the Americas.



Archive Series MIL-SHIPS and Marine Star watches were released as 150th anniversary models. The 150th anniversary was used as a hook to draw attention to high-value-added models and enhance the value of the BULOVA brand.

BULOVA Special Website:

<https://www.bulova.com/global/>



We strive to be a trusted partner
that grows together
with our customers.

Senior Operating Officer
Hideo Ina



Review of the Medium-term Management Plan 2024

The three years of the Medium-term Management Plan 2024 were defined by a focus on laying a solid business foundation through proactive capital investment, in line with our stated policy of achieving further growth. In FY2022, the first year of the plan, we achieved record-high sales, which were driven by strong order volume. However, beginning in FY2023, the business faced headwinds as orders began to decline due to cyclical market fluctuations. While we had initially anticipated that orders would fully recover by the latter half of FY2024, the persistent uncertainty of the market has meant its rebound has been more delayed than expected. We recognize that the market conditions have remained challenging.

Despite this prolonged stagnation, we worked to strengthen both our manufacturing and sales capabilities to ensure that we are fully prepared to capture the next upturn in demand, keeping our sales target of 100.0 billion yen in sight. On the manufacturing front in particular, we carried out major expansions of our capacity. We relocated and expanded our factory in China, increased the floor space of our factory in Thailand, built a new building at our Karuizawa Headquarters factory, and expanded our Kitakami site. As a result, production capacity

as of FY2023 was 40% greater than in FY2021. We also enhanced our service and engineering capabilities, most notably through the establishment of the Global Training Center. This contributed to the development of a robust business foundation supporting the achievement of our goals.

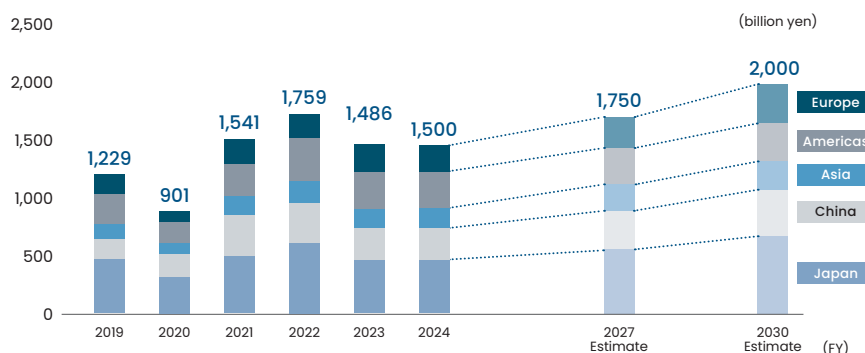
Medium-term Management Plan 2027

The machine tools market is highly sensitive to economic cycles. Looking toward 2030, we expect the trend in the market to be one of moderate long-term growth, despite short-term fluctuations. At the same time, the global manufacturing industry is facing a labor shortage and the aging of its workforce. This has led to increasing demand for automation and labor-saving technologies in many

industries, including the automotive sector. This creates a favorable environment for our business. However, the number of new players in the market, in India and China, for example, are growing rapidly. To compete not on price but on the value we provide, we must continue to enhance the performance of our products and our competitiveness.

In the Medium-term Management Plan 2027, we set financial targets of net sales of 100.0 billion yen and an operating profit margin of 15.0% for FY2027. Building on the robust business foundation established under the previous plan, we will now implement key strategic initiatives centered on reinforcing our sales capabilities and creating customer value—fully leveraging our manufacturing and innovative sales methods to achieve our targets.

Machine Tools Market Forecast



Policy in the Medium-term Management Plan

Demonstrate real value of “manufacturing and sales innovation”, for achievement of net sales of 100 billion yen

FY2027 Financial Targets

Net sales **100.0** billion yen

Operating profit margin **15.0** %

Key Strategies

Implement region-specific strategy for net sales of 100 billion yen.

Implement global sales strategy for the Miyano brand (medium and large machines).

Expand market share through creation of customer value.

Key Strategy: Implement region-specific strategies for net sales of 100.0 billion yen

To achieve our FY2027 target, we will focus on five core regions—Europe, the Americas, Asia, China, and Japan—clarifying our region-specific strategies to drive the expansion of sales.

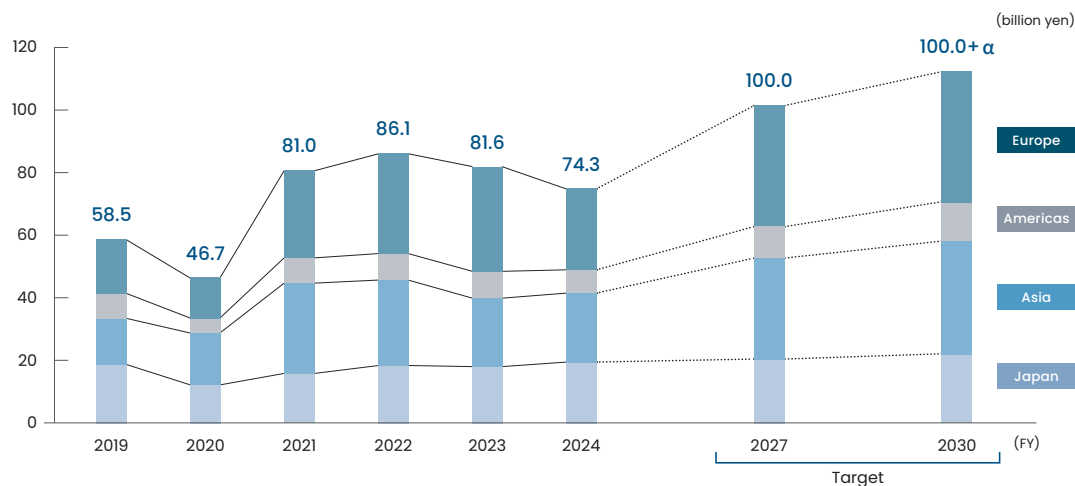
In Europe, we will strengthen sales not only in existing markets but also in emerging areas, such as Eastern Europe. In the Americas, we aim to meet the needs of local customers quickly by enhancing our ability to develop peripheral equipment and reinforcing our distributor network. In Asia, where it is

expected that growth will accelerate, we will proactively invest in sales bases and related infrastructure. In India, a market with particularly strong growth potential, we will rapidly develop our sales infrastructure, including the establishment of a local subsidiary. Similarly in China, we will reinforce our sales structure to support the growth of sales. In Japan, we will revisit and refine our target segments to capitalize on the strengths of our proprietary technologies and products, aiming to increase differentiation and the

strength of our promotional initiatives. To mitigate the impact of economic fluctuations, we will also pursue the development of new markets.

We believe that the keys to achieving net sales of 100.0 billion are the strengthening of our sales capabilities and the maintenance of the speed and agility of our execution of business. Building on the business foundation established under the previous Medium-term Management Plan, we will continue to execute our regional strategies and expand sales.

Sales by Region



Precision Machining Plant,
Karuizawa Headquarters Factory



Thai Factory



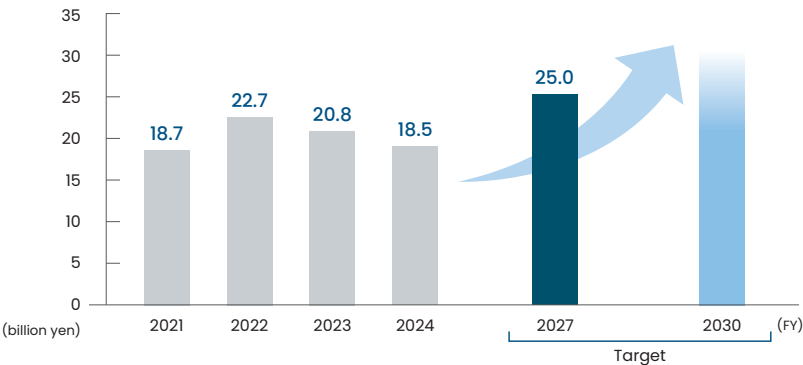
China Factory

Key Strategy: Implement a global sales strategy for the Miyano brand.

CITIZEN provides two brands of CNC automatic lathes. Cincom is known for its strengths in the area of small-diameter, long-part machining, and Miyano excels in the area of medium-diameter, short-part machining. We supply highly reliable and durable machines to industries, including the automotive component, construction machinery, and hydraulic and pneumatic instrument industries, and we have earned a strong reputation in both Japan and Europe. Under the new Medium-term Management Plan, we aim to increase a broader range of customers' awareness of Miyano's strengths by implementing a global sales strategy.

In Japan, we aim to provide comprehensive solutions that address customers' automation and labor efficiency needs by strengthening our promotion of not only Miyano's large machines but also chucking machines and peripheral equipment. In Europe, we will increase our focus on expanding into non-automotive sectors, including aviation and watchmaking. In the United States, where sales are currently led by Cincom models, we will build and strengthen a locally driven sales network as we move toward 2030. In China, we plan to enhance our technical support for distributors and our showroom functions. In other emerging markets, we will introduce entry-level models to allow more customers to experience the strengths of the Miyano brand.

Global Sales Target of Miyano



Miyano ABX Series: Fixed Headstock Type CNC Automatic Lathe

The highly efficient and productive flagship model of the Miyano brand is equipped with twin spindles for simultaneous front and back machining and up to three turrets. Completely redesigned, four new models in this series of products were launched in October 2024, including a model that is capable of machining bars with diameters up to 80 mm.

Key Strategy: Expand market share through creation of customer value.

In our customers' manufacturing workflows, there are many processes both upstream and downstream of component machining. Rather than simply supplying machine tools, our goal is to provide products and services that support their entire production flow, providing new value and promoting the innovation of manufacturing workflows.

We work together with customers to address their operational challenges leveraging the products we offer, such as our FA Friendly robotic systems that support factory automation, the alkapplysolution solution service leveraging the latest ICT technologies, and our core strength, our low-frequency vibration cutting (LFV) technology. LFV, CITIZEN's proprietary control technology, is able to break apart chips during machining, enabling around-the-clock unstaffed operations when implemented in equipped machines and contributing significantly to the automation of customer facilities and labor efficiency. Under the new Medium-term Management Plan, our target is for 32% of all units shipped to be LFV-equipped machines, and we will continue our efforts to increase this percentage.

Looking ahead, we are also exploring the use of AI technologies in the development of next-generation models while promoting the creation of environmentally conscious, sustainable products under the EcoBalance Machine brand. We recognize that, beyond the scope of the new plan, it will be necessary to continually advance technology in line with the needs of the market.

Message to Our Customers

In the Machine Tools Business, we must build strong relationships of trust with our customers. When a customer installs one of our machines, it is typically used for many years. This includes maintenance and the regular replacement of parts. We view our Medium-term Management Plan target of net sales of 100.0 billion yen not as our final goal but rather as a milestone on our continued journey forward. Our aim is to become a machine tool manufacturer that our customers can trust and choose with confidence—one that grows together with them by continually improving the way we operate.

INNOVATION FOR WORK FLOW



CITIZEN's Machine Tools Business aims for a sustainable society by innovating manufacturing workflows with an eye not only on issues our customers currently have but also on challenges they will face in the future. With the "Cincom" and "Miyano" brands at the core, we provide total solutions that revolutionize our customers' workflows through the use of our proprietary technologies such as LFV (low-frequency vibration cutting), the "FA Friendly" robot system, and the ICT technology-based "alkapplysolution."

Cincom

Advanced technological development for optimized parts machining proposals

Cincom is a sliding headstock type CNC automatic lathe that excels in high-precision, high-speed machining and has an established reputation for ease of use. We continue to provide highly operable automatic lathes that incorporate state-of-the-art control technology with the small-diameter, high-precision machining technology and miniaturization technology we have cultivated through our experience in watch component manufacturing.

Miyano

Globally praised for its "strength"

Miyano's flagship product is its highly rigid fixed headstock type CNC automatic lathe, which has earned high praise from customers around the world for the "strength" it offers. We continue to respond effectively to diverse manufacturing needs by providing reliable and durable machines for our customers' production lines, primarily in the fields of automotive parts, construction equipment, and hydraulic and pneumatic instruments.

FA Friendly

Advanced technological development for optimized parts machining proposals

We provide products that aid automation at our customers' plants, such as machines, devices, and functions to promote automation and reduce labor, with a focus on on-cart and on-machine robot systems.

LFV technology

A new era of machining technology with further improvements in productivity

We developed LFV (low-frequency vibration cutting) technology to solve problems caused by the chips that are unavoidably produced during turning. Our ongoing research and development will continue to provide machining technologies that help our customers further improve productivity.

alkapplysolution

Total solutions using the latest network technology and our wealth of machining technology

alkapplysolution is a manufacturing solution service that utilizes ICT technology. It provides an array of services that include technician training and skill improvement, tools to manage production operation information, and more.

Customer Statement

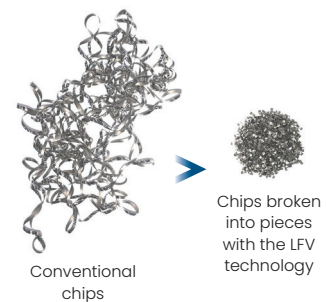


Mr. Toshio Shito,
Shito MFG Inc.

I Am Truly Impressed by This Outstanding Technology!

I first learned about LFV technology at a trade show promotional event. At the time, I honestly thought, can it really do that? We had just taken on a copper machining job, but no matter how we adjusted the conditions, the chips kept getting tangled up. It was completely unmanageable.

That's when I remembered LFV technology and decided to try a Cincom machine. As soon as I started using it, I was blown away. I had no idea something this amazing existed! Up to that point, we could only manage about 12 hours of operation at a time, but with LFV, it just keeps cutting smoothly even after 24 hours. It felt like I was machining brass, not copper. I was genuinely impressed!



Conventional
chips

Chips broken
into pieces
with the LFV
technology

Devices and Components

The Devices and Components Business applies CITIZEN's core miniaturization, precision processing, and low power consumption technologies that were cultivated in watch manufacturing to provide a wide range of components and products that support society and people's everyday lives. Under the Medium-term Management Plan 2027, we integrated the former Devices and Components Business into the Electronics and Other Products Business to form the new consolidated Devices and Components Business. In the new plan, we have identified four product categories that will be growth drivers and we will strategically allocate resources to generate profit.

Renowned for its advanced precise metal part machining technologies, CITIZEN supplies functional automotive components to manufacturers around the world. We pursue medium-term growth by developing new products related to electric vehicles (EVs). Small motors are essential components in home appliances, medical devices, and other equipment. We are working to expand our product lineup to capture new projects and enter new markets, aiming to secure a global leadership position in our niche and maintain a highly profitable business structure. We have established an integrated ceramic component production system that includes all of the stages of production from raw material formulation and granulation to molding, firing, and processing. We are working to enhance the performance of products and promote labor-reducing initiatives while expanding sales by entering the submount market and increasing competitiveness by increasing productivity. We position photo printers as a key growth product and are working to ensure stable profitability while making forward-looking investments for the future by providing high-quality high-performance models. In a business environment that demands constant evolution, and where people are seeking stable, healthy, and peaceful lives, our Devices and Components Business remains closely attuned to the needs of people and society. We are pursuing new value and greater convenience through its products.



Automotive components

- Brake components
- Engine components
- Suspension components



Small motors

- Electronic locks, production equipment, inspection systems
- Radiation therapy devices, dental anesthesia systems, medical pumps
- Logistics
- Home appliances



Ceramics

- Sample holding plates for analytical instruments
- Thin-film submounts (used in home appliances, lighting equipment, and automobiles)
- Jewel bearings (used in smartphones and wristwatches)



Printers

- Photo printers
- POS printers
- Barcode printers

Key strategies

Automotive components

Expand sales of new EV-related products and products in existing domains such as engines and brakes.

Ceramics

Further strengthen competitiveness of submount products for optical communication, etc.

Small motors

Gain high levels of customer satisfaction through technologies and quality that meet market needs.

Printers

Generate stable profit chiefly from photo printers and continue to invest for the future.

CITIZEN's device and component products are used in a wide range of everyday applications.



Sustainable Management

Sustainability
<https://www.citizen.co.jp/global/sustainability/index.html>



To continue being a company that is needed and loved by people all over the world, the CITIZEN Group must not only deliver products and services that respond to the changes in society but also ensure that the procurement and production processes behind the products and services and the Company's underlying attitude are aligned with the expectations of society. We believe that sustainable management involves more than simply providing good products and services. It means earning the trust of stakeholders by addressing social issues through our business operations, such as issues related to human rights and the global environment. By doing so, we will drive the growth of our business and enhance our corporate value. This is what sustainable management means for the CITIZEN Group.

Structure for Promoting Sustainable Management

In April 2020, the CITIZEN Group established the Sustainability Committee, which is chaired by the President and CEO of Citizen Watch and is composed of the Company's full-time directors and the presidents of major domestic Group companies. The committee meets quarterly to deliberate material issues, monitor the progress of subcommittees, and host study sessions with external experts. A summary of the committee's activities is reported to the Board of Directors on a semiannual basis.

Sustainability Promotion Structure

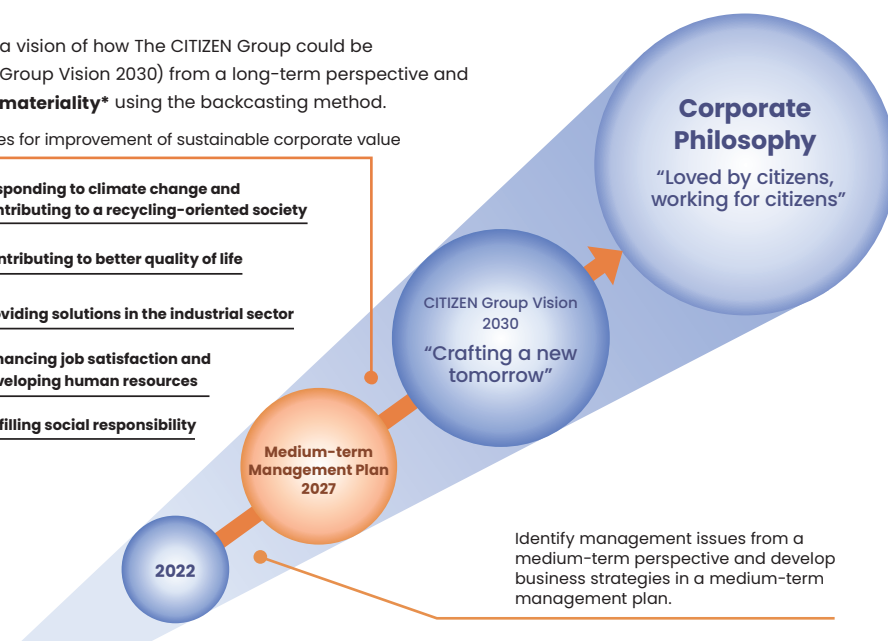


Positioning of the CITIZEN Group Vision 2030 and Materiality

Draw up a vision of how The CITIZEN Group could be (CITIZEN Group Vision 2030) from a long-term perspective and redefine **materiality*** using the backcasting method.

* Key issues for improvement of sustainable corporate value

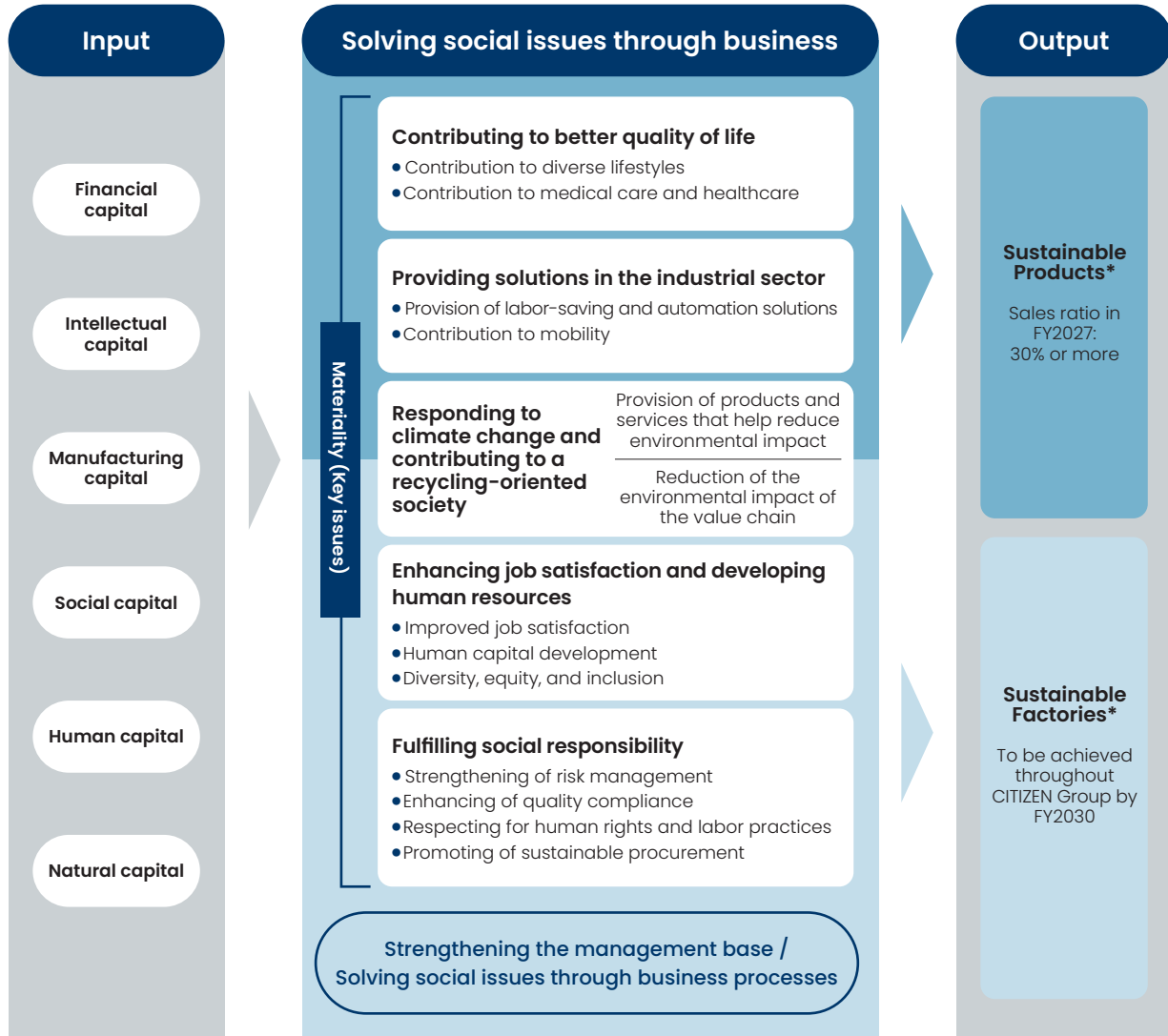
- Responding to climate change and contributing to a recycling-oriented society
- Contributing to better quality of life
- Providing solutions in the industrial sector
- Enhancing job satisfaction and developing human resources
- Fulfilling social responsibility



Identification of the Materiality

Materiality (Key issues)

The CITIZEN Group has identified five material issues that are essential to both its business activities and management foundation. We aim to realize both sustainable products and sustainable factories as a result of our sustainability initiatives.



KPIs and Targets by Materiality

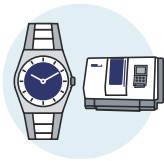
Materiality	Main KPIs		FY2024 (Actual)	FY2025 (Target)	FY2026 (Target)	FY2027 (Target)
Responding to climate change and contributing to a recycling-oriented society	CO ₂ emission reduction rate (Compared to FY2018)	Scope 1 and 2	47.1%	29.4%	33.6%	37.8%
	Renewable energy ratio (domestic and overseas)		26.0%	31.7%	37.4%	43.1%
	Sales ratio of sustainable products*		24%	24%	27%	31%
Contributing to better quality of life						
Providing solutions in the industrial sector						
Enhancing job satisfaction and developing human resources	Ratio of female employees in management positions (Citizen Watch)		9.8%	11%	12%	13%

*Sustainable products: Products and services that contribute to business growth while helping solve social issues linked to the CITIZEN Group's materiality.

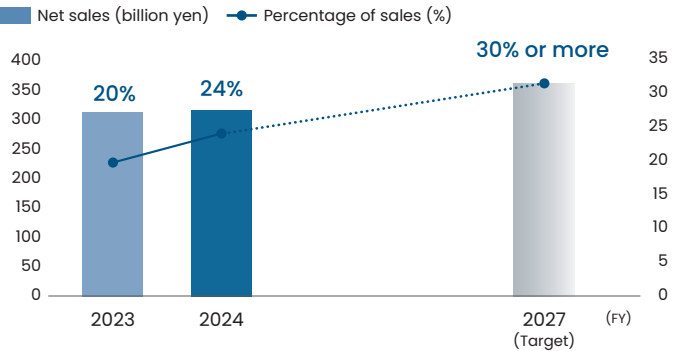
A sustainable factory: A sustainable production facility or business site with operational processes that are designed in comprehensive consideration of human rights, the environment, labor practices, compliance, business continuity planning (BCP), and productivity improvement throughout the entire supply chain.

Sustainable Products

Sustainable Products are products and services that contribute to business growth by contributing to the resolution of social issues linked to the CITIZEN Group's materiality. The CITIZEN Group has set the target of raising the proportion of sustainable products to 30% or more of total consolidated sales by FY2027.



Group Consolidated Sales and Sustainable Products Sales Ratio



Sustainable Products Certification Criteria

The certification criteria are structured around contributing factors associated with the Group's materiality. To qualify, a product or service must address at least one of the three materiality related to business activities. In establishing the criteria, alignment with the Group's business strategy and the product's or service's uniqueness or competitive advantages were also considered. Incorporating input from external experts, these standards were formulated through discussions within the Sustainability Committee and finalized by approval of the Group Management Committee in 2023.

Certification Criteria

Materiality	Classification	Contributing factors (examples)	Related SDGs
Responding to climate change and contributing to a recycling-oriented society	Response to climate change	• Energy saving and longer product life • Design and service systems that enable product disassembly and repair • Use of sustainable raw materials	
	Contribution to a recycling-oriented society		
Contributing to better quality of life	Contribution to diverse lifestyles	• Products that are easy to use for all people, including those with disabilities • Support for health management	
	Contribution to medical care and healthcare		
Providing solutions in the industrial sector	Provision of labor-saving and automation solutions	• Addressing labor shortages through labor-saving and automation solutions • Responding to the challenge of passing on skills through digitalization • Remote maintenance support	
	Contribution to mobility		

Examples of Sustainable Products

Watches

Watches

Watches

Watches

Watches

Energy saving and longer product life

Designed for users with visual impairments

Design and service systems that enable product disassembly and repair

Use of sustainable raw materials

Movements made in Japan

Movements made in Switzerland

Machine Tools

Energy saving and longer product life

Design and service systems that enable product disassembly and repair

Energy saving and reduction of CO₂ emissions

Addressing labor shortages through labor-saving and automation solutions

CITIZEN L, a Brand Embodying Our Commitment to Sustainability and Manufacturing

What added value must globally appealing beautiful watches have?

In 2012, the CITIZEN L brand was launched in the hope of creating women's watches that appeal worldwide. Discussions between product planners and designers reached the conclusion that we should create beautiful watches with appeal that transcends national borders and nationalities. The keyword was "nature." In 2013, we launched the first CITIZEN L products that represented wabi-sabi natural beauty, but unfortunately the public reaction to them was weaker than expected. I thought that the watches had to have some additional value. One day, our team was having discussions about what the CITIZEN L should be like. When we shared with each other ideas on who would be vivid examples of beautiful persons, several people mentioned Princess Diana and Audrey Hepburn, both of whom were dedicated to social contribution activities. That was a great inspiration to me. I realized that

Gears meshed together perfectly, driving us to find the seeds of "inner beauty"

One day, I saw a staff member of the CSR Department next to the Product Planning Department wearing a UN T-shirt. I was a Girl Scout when I was a child, so the T-shirt inspired me to talk to that person for the first time, and we had an exciting conversation. During that conversation, I asked that staff member: "I'm considering what 'inner beauty' is for the CITIZEN L. Do you have any good ideas?" The answer I



got then, "Yes, I do," excited me! That was in the era of the MDGs (Millennium Development Goals) before the adoption of the resolution on the SDGs. The UN T-shirted peer taught me about the approach of making social contribution by selling products, including cause

Sustainability as added value making the CITIZEN L shine more brilliantly

For the CITIZEN L's rebranding in 2016, we had architect Sosuke Fujimoto as our design advisor from the world of architecture, which was a pioneer field in sustainability initiatives. Mr. Fujimoto designed watches in the hope of materializing time, which is something invisible, into watches while maintaining its vagueness, creating new CITIZEN L watches while actively incorporating sustainable traditional craftwork, such as Nishijin-ori textiles and lacquered beads. These watches feature not only Eco-Drive, CITIZEN's proprietary technology that uses any kind of light to power a watch, but also the use of select people- and Earth-friendly materials that do not victimize anyone or anything. For example, the minerals used to produce the

Creating beautiful watches while embracing a beautiful cause and creativity

Currently, the CITIZEN L is positioned as a contributor to the growth of the Group's businesses. Team L, which is committed to the CITIZEN L, always comprises seven to nine members, including product planners, designers, and PR staff. I have fostered the brand while putting trust in us and, in a sense, retaining intuitive decisions as one of my options. I believe it is necessary to always have flexible but strong



Planning Section 2,
Product Planning Department,
Product Planning Center

Kana Maeda

She joined the Company in 2003. After working as a designer for overseas and other in-house brands, she was transferred to the Product Planning Department. She has been in charge of planning for the CITIZEN L since 2014.

the brand would reach perfection by focusing on "inner beauty." However, watches themselves could not be engaged in social contribution activities. We were at a loss what to do to achieve inner beauty with watches.

marketing. At the time, we used the word "ethical" to refer to such matters. The two of us were in sync concerning the possibility of achieving the inner beauty that we aimed at by adopting this approach in the product development and manufacturing processes. It was the moment when the gears meshed together perfectly. I also visited people outside the Company to seek their views before I completed a proposal focusing on sustainability. As that was the first attempt of its kind for the Company, things did not go smoothly, but the CSR Department staff member patted me on the back, saying, "It would be a waste to give up!" We presented our idea to the executives and were finally able to obtain their understanding and approval, leading to the Company moving forward. That was the starting point for the rebranding of the CITIZEN L.

CITIZEN L are procured from sources unrelated to conflicts between armed forces, child labor, or other problems. In addition, recycled materials are actively used to produce bands and dials. As seen by these examples, the CITIZEN L watches are sustainable watches that feature both outer and inner beauty. However, we value ensuring that their external designs appeal to people first.

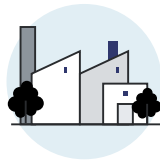


determination. I hope to continue to foster the CITIZEN L while embracing a beautiful cause and creativity. A past line of advertising copy for the CITIZEN L is still engraved in my mind. It reads, "Brave is Beautiful." This is my favorite catchphrase. I hope to hand down the cause embodied in this phrase to my team members.

Sustainable Factories

A sustainable factory is a sustainable production facility or business site with operational processes that are designed in comprehensive consideration of human rights, the environment, labor practices, compliance, business continuity planning (BCP),* and productivity improvement throughout the entire supply chain.

We aim to establish sustainable factories throughout the Group by 2030.



Miyota Saku Factory



Tokyo Works



*Business Continuity Plans (BCPs) are proactive plans developed during normal operations to ensure the continuity of the supply of products and services in the event of a major disruption, such as a natural disaster, or a speedy recovery following the disruption. BCPs outline the systems, roles, and response procedures that would be necessary in an emergency before the emergency occurs.

Sustainable Factory Key Indicators and Progress

Materiality classification	Key indicators for 2030	FY2024 Actual
Response to climate change	CO ₂ emission (Scope 1 + 2): 50.4% reduction (compared with FY2018) CO ₂ emissions (Scope 3, Categories 1 + 11): 30% reduction (compared with FY2018)	CO ₂ emissions (Scope 1 + 2): 47.1% reduction
Contribution to a recycling-oriented society	Water withdrawal: 35% reduction (compared with FY2018) Recycling rate (waste reuse rate): 90%	Water withdrawal: 24.0% reduction Recycling rate (waste reuse rate): 92.6%
Enhancement of quality compliance	Zero violations of the Group Quality Code of Conduct	Reviewed the road map for FY2025 and beyond
Respect for human rights and labor practices	Establishment of human rights due diligence Zero work-related lost-time injuries	Conducted regular surveys and monitoring, and engaged in dialogue
Promotion of sustainable procurement	100% of major suppliers respond to the Self-Assessment Questionnaire (SAQ)	Strengthened supplier engagement initiatives

Thorough Compliance

Since April 2005, the CITIZEN Group has been a participant in the UN Global Compact, supporting its 10 principles in four areas. Based on our corporate philosophy, "Loved by citizens, working for citizens," we have established the CITIZEN Group Code of Conduct to ensure legal compliance and uphold the highest ethical standards in all our actions. In April 2020, we formulated the CITIZEN Group Anti-Corruption Policy to reinforce our commitment to our responsibilities to society in line with the UN Global Compact's 10th principle. Employees are expected to maintain their strong awareness of compliance and establish sound relationships with stakeholders.

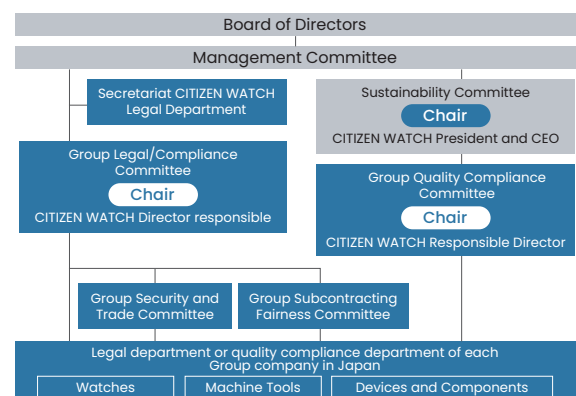
Compliance Policy

Our compliance policy, stated in our Group Code of Conduct as well, is based on the following

- Compliance with laws and regulations: We will strictly comply with domestic and international laws and regulations and practice transparent management.
- Ethical behavior: We seek each employee's ethical decisions and behavior with integrity.
- Social responsibility: We will pay full consideration to environmental conservation and social contributions and promote efforts to realize a sustainable society.

Compliance System

The Group Legal Compliance Committee is chaired by a director responsible for compliance. Together with the Group Security and Trade Committee and the Group Subcontracting Fairness Committee, it leads the Group's compliance efforts. The Management Committee and the Board of Directors oversee the development and implementation of Company-wide policies. Each committee consists of heads of the legal departments of Group companies and is responsible for developing initiatives, monitoring their implementation, and providing training and education. In addition, the Group Quality Compliance Committee plays a key role in addressing quality misconduct and other business-related issues. It is composed of directors that are responsible for quality compliance activities at Group companies. The independent internal audit department regularly audits the compliance framework and reports its results to the Management Committee and the Board of Directors.



Compliance Training and Internal Auditing

To increase all employees' compliance awareness, the CITIZEN Group conducts regular training sessions on the CITIZEN Group Code of Conduct and the CITIZEN Group Anti-Corruption Policy. In FY2024, 99.8% of employees participated in these training programs. We also conduct internal surveys to assess employees' awareness of the Code of Conduct and adherence to compliance policies, and the results of these surveys are disclosed both internally and externally.

Anti-Corruption Initiatives

The CITIZEN Group has established the CITIZEN Group Anti-Corruption Policy, which prohibits all forms of corrupt practices, including bribery, and the Group provides training to all of its employees. We also request that our business partners understand and cooperate with the policy, asking them to acknowledge and agree to the standards when new contracts are signed or contracts are renewed.

Each department of Citizen Watch conducts internal audits once a year. These include self-checks based on audit checklists and unannounced spot audits, which are used to drive improvements.

Compliance Hotline (Internal Whistleblowing System)

To prevent and detect violations of laws and misconduct at an early stage, we have established a compliance hotline. This system enables people to anonymously report issues and consult with the hotline's staff. It is operated in accordance with the guidelines issued by Japan's Consumer Affairs Agency as well as the Corporate Governance Code. It ensures strict confidentiality and prohibits any disadvantageous treatment of whistleblowers. It also allows former employees to submit reports to the hotline within one year of their resignation. In FY2023, a QR code-based reporting channel was introduced.

In FY2024, a total of 39 reports were received (31 via internal channels and eight via external channels). All reports were investigated, and corrective measures were taken where necessary. No serious violations of human rights or breaches of the Anti-Corruption Policy were identified. We remain dedicated to reinforcing our compliance framework.

Response to Antisocial Forces

Recognizing that any association with antisocial forces poses a serious risk to the credibility of the corporation, we take a firm stance against such entities. We have established systems for completely severing ties with such entities, including contract clauses that prohibit relationships with organized crime groups. We also collaborate with local businesses and law enforcement agencies to eliminate antisocial forces from our operating environment.

Training Sessions on the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors

To promote fair subcontracting practices, we provide employees with foundational knowledge regarding the Subcontract Act through on-the-job training, guidebooks, and e-learning programs. We strive to build win-win relationships with clients and subcontractors by encouraging improved transaction practices. Citizen Watch has also endorsed the Ministry of Economy, Trade and Industry's Declaration of Partnership Building and is working to establish new partnerships with suppliers throughout the supply chain that promote collaboration and mutual prosperity.

Tax Compliance

Guided by our corporate philosophy, "Loved by citizens, working for citizens," we have established a tax policy to ensure taxes are properly paid and information is transparently disclosed, thereby fulfilling our responsibilities to society as a corporation. In FY2024, we conducted a tax training program for all employees that 92.5% of employees participated in to increase awareness of tax matters and promote tax compliance throughout the organization.

Environment

Responding to Climate Change

Climate change is one of the most serious global environmental risks. The CITIZEN Group is working across the organization to reduce greenhouse gas (GHG) emissions by promoting energy-saving activities and introducing renewable energy at its factories and offices.

To express its commitment to mitigating climate change, the Group participates in the Japan Climate Initiative, and in 2020, announced its support for the TCFD recommendations. In 2022, we revised our CO₂ emission reduction targets for Scope 1, Scope 2, and Scope 3, and in 2023, obtained Science Based Targets (SBT) certification. In 2025, we also joined RE100 with the goal of sourcing 100% of the electricity used in our business activities from renewable energy.



Scenario Analysis

Recognizing that climate-related risks and opportunities could significantly impact its business strategy, the CITIZEN Group has used the following process to identify these risks and opportunities. Led by the Secretariat of the Sustainability Committee, the Group conducted an analysis using the 1.5 °C and 4 °C scenarios to assess the materiality of the risks and opportunities the Group is facing.

Process of Identifying Climate-Related Risks and Opportunities

Step 1	We comprehensively identified the risks and opportunities associated with climate change.
Step 2	We organized the identified risks and opportunities in relation to the three business segments of Watches, Machine Tools, and Devices and Components, as well as in three time frames: short, medium, and long term.
Step 3	For each risk and opportunity identified, we used a 5-point scale to evaluate its impact on the Company and likelihood of occurrence. As an overall evaluation, items with a high impact on the Company and likelihood of occurrence were extracted, and important risks and opportunities were identified.

Scenario Analysis Results

Classification		Significant* risk/opportunity		Impact on CITIZEN	Time Horizon**		
		1.5°C	4°C		Short term	Medium term	Long term
Transition risk	Policies and regulations	Large	Small	• Cost increases due to the introduction and strengthening of new regulations (carbon pricing system)		•	•
	Technologies and markets	Small	Large	• Increase in the cost of raw materials, etc., supply shortages, and supply disruptions		•	•
	Reputation	Medium	Small	• Decline in reputation due to a delayed response to climate change, etc., and the consequent decline in stock price and sales	•	•	•
Physical risk	Acute risks	Small	Large	• Increasing severity and frequency of natural disasters		•	•
	Chronic risks	Medium	Large	• Increased business spending on addressing extreme weather effects and countermeasures		•	•
		Small	Medium	• Stagnation of production activities due to supply chain disruptions		•	•
Opportunity	Energy and resource efficiency	Large	Small	• Cost reduction through the promotion of energy conservation		•	•
		Medium	Medium	• Cost reduction through resource conservation, 3Rs, zero waste emissions, and the conservation of water resources	•	•	•
		Medium	Small	• Differentiation and competitiveness through product development with alternative materials • Realization of life cycle decarbonization through substance substitution and weight reduction		•	•
	Products, services, and markets	Medium	Small	• Revenue growth due to increased demand for environmentally friendly products/services	•	•	•
	Resilience	Medium	Medium	• Increased customer trust through the promotion of natural disaster preparedness	•	•	•
		Medium	Large	• Minimized the risk of physical damage through the systematic implementation of countermeasures	•	•	•

*1 The results of the assessment of risks that have been determined to be "small" based on both the 1.5°C and 4°C scenarios are not listed.

*2 "Short term" spans up to three years, "medium term" spans more than three years and up to six years from now (which roughly corresponds with the period for Citizen Group Environmental Goals 2030), and "long term" spans more than six years from now (which roughly corresponds with the period for CITIZEN Group Environmental Vision 2050).

Financial Impact Analysis

Based on the results of the scenario analysis, we have identified financial impacts for the following two items that could significantly affect The CITIZEN Group's finance.

Through the introduction of ICP, we will promote appropriate low-carbon investment and raise awareness among employees.

Transition risk	Cost increases due to the introduction and strengthening of new regulations
	Increase in the cost of raw materials, etc., supply shortages, and supply disruptions

Indicators and Targets

The CITIZEN Group has set the following targets regarding climate change.

The CITIZEN Group has set cost reductions through the promotion of energy conservation as an indicator for climate-related opportunities and the amount of capital investment in energy conservation and renewable energy as an indicator for capital allocation. We will continue to monitor these indicators.

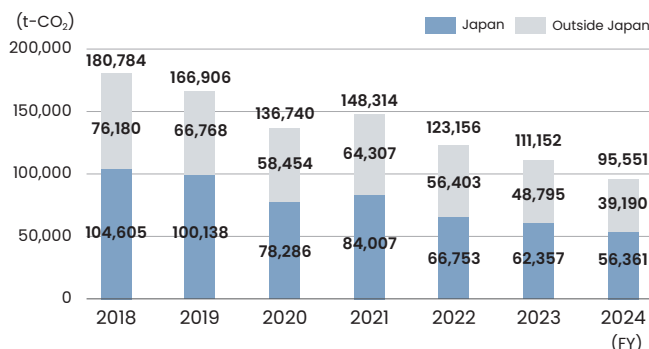
GHG Emissions

Indicator	Target for FY2030
Scope 1 + 2	50.4% reduction (compared with FY2018)
Scope 3	30% reduction in Category I + Category II (compared with FY2018)

GHG Emissions (Scope 1 + 2)

In FY2024, total GHG emissions amounted to 95,551 t-CO₂, a 47% reduction compared with FY2018. This achievement reflects our continuing energy-saving initiatives and proactive adoption of renewable energy.

GHG Emissions (Scope 1 + 2)



Initiatives for Biodiversity Conservation

Recognizing the importance of the ecosystem services provided by biodiversity and the impact of our business activities on biodiversity, the CITIZEN Group has established The CITIZEN Group Biodiversity Vision and is working together with local communities to conserve biodiversity.

Endorsement of the TNFD and Registration as a TNFD Adopter

In April 2025, the CITIZEN Group registered as a TNFD Adopter, endorsing the disclosure recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). Since March 2023, we have participated in the TNFD Forum. Moving forward, we plan to identify and assess our impact, dependencies, risks, and opportunities related to nature and biodiversity with the goal of disclosing relevant information in line with the TNFD recommendations.



CITIZEN Forest Recognized by MLIT as the First TSUNAG-Certified Green Space

The CITIZEN Forest located at Citizen Watch's Tokyo Works was certified as the first site under the Ministry of Land, Infrastructure, Transport and Tourism's TSUNAG program, a certification system for quality green space preservation plans.

The forest serves not only as a workplace amenity for employees but also as a habitat for diverse species and a venue for community interaction. Ongoing initiatives include phased tree management based on long-, medium-, and short-term plans, the monitoring of environmental effects, such as CO₂ absorption, biodiversity monitoring, and environmental education for employees. These efforts are helping the CITIZEN Forest continue to thrive. In this urban setting surrounded by a residential area, the forest has been recognized as a rich corporate green space with multifunctional value.



Other Biodiversity Initiatives

Since 2020, Citizen Watch has been implementing the Eco Tree ACTION program, through which the Company donates one mangrove seedling through the international NGO NICE each time a customer chooses to forgo a watch box when purchasing a CITIZEN brand timepiece.

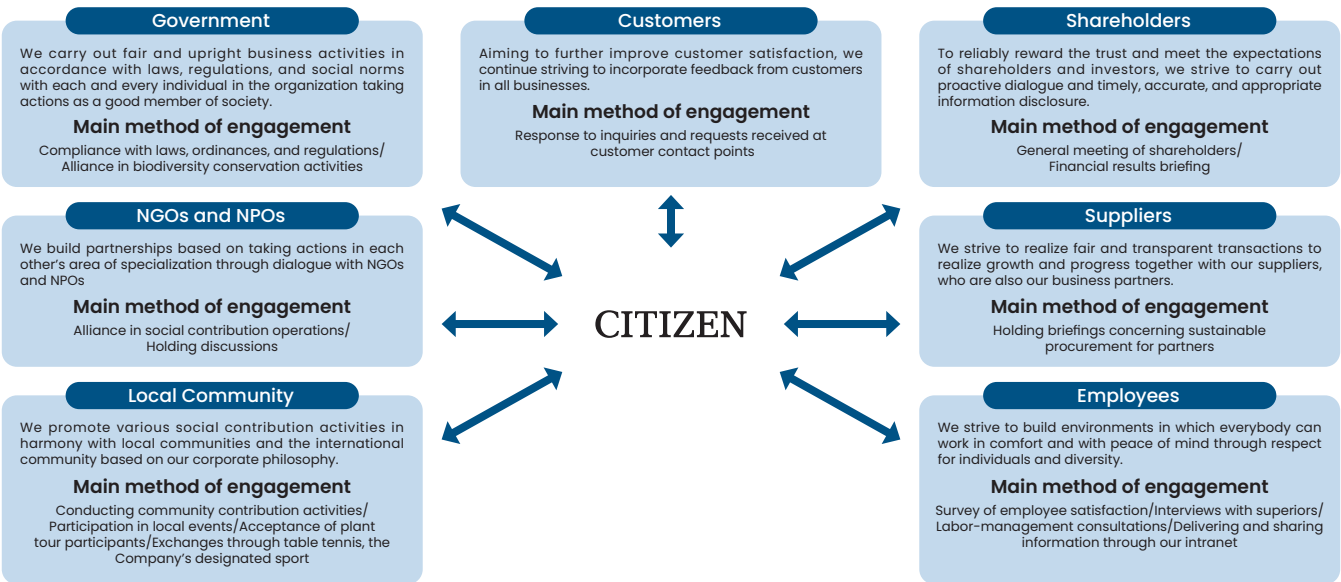
We have also endorsed the Ministry of the Environment's 30by30 initiative, which is targeting the conservation of at least 30% of Japan's land by 2030. In FY2023, we joined the 30by30 Alliance. Both the Citizen Machinery and Citizen Finedevice nature reserves have been designated as Nature Symbiosis Sites by the Ministry of the Environment.



Stakeholder and Supply Chain Engagement

CITIZEN Group Stakeholders

The CITIZEN Group aims to contribute to a sustainable society and achieve growth for the Group through the realization of its corporate philosophy. In developing our business, we practice CSR with the participation of all employees based on the Group Code of Conduct, which is in the spirit of the UN Global Compact. In addition, to maximize the value we provide to society, it is important to incorporate the demands and expectations of our diverse stakeholders into our management. Therefore, we aim to realize our corporate philosophy by building strong relationships of trust through close communication with our stakeholders and by conducting business activities that meet their requests and expectations.



Promoting Sustainable Procurement

The CITIZEN Group aims to contribute to a sustainable society by realizing sustainable factories that not only consider the operations within CITIZEN's own production sites but also emphasize sustainability across the entire manufacturing process. As part of our efforts to identify risks related to CSR procurement, we have conducted supplier assessments since FY2019 using both a Self-Assessment Questionnaire (SAQ) and our proprietary supplier fact-finding survey. We have also introduced a risk classification system based on suppliers' overall SAQ radar chart scores, enabling us to identify suppliers with higher procurement risks from their responses and assessment results.

Human Rights Due Diligence

The CITIZEN Group identifies human rights risks within its supply chains in each of its businesses. In the Watches Business, significant human rights risks have been identified in relation to conflict minerals and the labor conditions of raw material suppliers. For conflict minerals, we are advancing due diligence efforts on smelters for each of the 3TG minerals (tin, tantalum, tungsten, and gold). Regarding labor conditions, we conducted on-site visits to five suppliers in China in FY2023 and FY2024 using our proprietary Health, Safety, and Labor Management Checklist. These visits were aimed at verifying concerns and implementing preventive measures against potential human rights risks. In FY2025, we plan to revise the checklist and further strengthen risk evaluations through on-site inspections.



On-site inspection at a supplier facility in China

Responsible Minerals Procurement

The CITIZEN Group recognizes that procuring 3TG (tin, tantalum, tungsten, and gold) minerals from conflict-affected and high-risk areas (CAHRAs), including the Democratic Republic of the Congo and neighboring countries, is a serious international concern, as such minerals might fund armed groups and contribute to conflict, human rights abuses, and environmental destruction. Accordingly, we support the principles of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and implement initiatives aligned with its framework. In line with this guidance, we disclose the percentage of smelters that are certified Conflict-Free Smelters (CFSs) for each mineral and take corrective actions where necessary from a human rights risk perspective. Through these efforts, the CITIZEN Group is working collectively to eliminate conflict minerals from its supply chain.

CITIZEN OF THE YEAR™

Honoring Individuals Who Inspire Society (Japanese)

The CITIZEN OF THE YEAR award was established in 1990 to recognize outstanding citizens who have inspired society or contributed to its development, happiness, and appeal. At that time, civic engagement was gaining attention, but there were few awards that honored citizens from a broad and inclusive perspective. Inspired by our name, CITIZEN, we launched this program to highlight these citizens.

Since its inception, the award has been presented annually to Japanese citizens and foreign residents of Japan who have inspired society or meaningfully contributed to its development, happiness, and appeal. Last year, 2024, was the 35th year the program has been implemented.

Through this initiative, the CITIZEN Group will continue to shine a light on citizens who inspire society, celebrate their moving contributions, and extend its wholehearted support. Guided by our corporate philosophy, “Loved by citizens, working for citizens,” we are committed to addressing social issues through our business activities and contributing to the realization of a better society.

FY2024 Recipients

Toward a Society Where People with Dementia Can Live with Security and Authenticity: Breaking Down Misunderstanding and Prejudice



Japan Dementia Working Group (JDWG)

Dementia is a life-altering condition that can affect anyone, not just older adults. However, deep-rooted prejudice and misunderstandings persist. Led by individuals living with dementia, the Japan Dementia Working Group (JDWG) is engaged in nationwide efforts to build a society where people with dementia can live with hope and dignity. In 2018, the JDWG held a press conference at the Ministry of Health, Labour and Welfare to announce its Declaration of Hope for Living with Dementia. This declaration was later reflected in the Basic Act on Dementia to Promote an Inclusive Society, which was enacted in 2024 to help build a society where all individuals can live with dignity.



They have taken a stand and continually displayed their positive attitude toward life as people with dementia. This has helped society as a whole begin to gradually change its view of dementia.

From Truancy to Support: A Mother-Daughter Counseling Team Empowering Families with Empathy



Hono Ozawa Chie Ozawa

Hono Ozawa once struggled with truancy, and her mother Chie Ozawa, stood by her daughter during that time. Now, they work together as a mother-daughter counseling team. They support other families facing similar challenges, listening attentively to the feelings of both children and parents. Their initiative, Jibunrashisa Shoten, reflects their belief that the goal is not whether a child attends school, but that both the child and the parent are able to be true to themselves. Through their work, they encourage parents and children to express their own thoughts and, in doing so, rediscover their individual identities. They also organize lectures and free consultation sessions for single parents. Over the past two years, more than 80 parent-child pairs have sought their support.



“The happiest moment,” says Hono, “is when a child I’ve counseled is able to make decisions on their own.” Her mother, Chie, dreams of publishing a book based on her experience.

A “Japanese Mother” Supporting Children with Pediatric Cancer in Vietnam for 20 Years



Kazuyo Watanabe

Twenty years ago, pediatric cancer was an incurable disease in Vietnam. The disease claimed many children’s lives at that time. Since 2005, Kazuyo Watanabe has provided free support for pediatric cancer care across Asia, focusing primarily on Hue Central Hospital, a national hospital in Hue, Vietnam. That same year, she founded the NPO Asian Children’s Care League in 2005, and through the NPO she has provided comprehensive and attentive support to children and their families, addressing both medical and social welfare needs. These activities have borne fruit: the five-year survival rate for children diagnosed with acute lymphatic leukemia has improved to about 70% from around 10% when the activities first started.



Watanabe stays overnight at the hospital to be with the children. “There’s no greater joy,” she says, “than seeing them again after they’ve completed treatment and grown up.”



Human Resources Strategy

The CITIZEN Group sees its employees as valuable human capital. We recognize that unlocking their full potential is key to the achievement of sustainable growth and the maximization of the value we provide to society. Our Group Human Resources Vision is: “Each employee feels a sense of pride in working at CITIZEN as they contribute to the realization of its long-term vision.” Guided by this vision, each Group company leads the promotion of three key initiatives—enhancement of job satisfaction, development of human resources, and DEI (Diversity, Equity & Inclusion)—with the goal of aligning human resources and business strategies.

Enhancement of Job Satisfaction

As part of our efforts to enhance job satisfaction, four CITIZEN Group companies—Citizen Watch, Citizen Machinery, Citizen Finedevice and Citizen Systems—conduct regular engagement surveys. The FY2024 survey response rate at Citizen Watch was 99%. The overall score improved by one point from the previous year, and career development opportunities, a targeted area, improved by three points. To strengthen relationships with supervisors and build confidence in the

evaluation process, we have expanded self-directed career development programs, introduced more comprehensive reskilling opportunities for managers, and conducted training for evaluators. We also encourage each division to hold workshops based on the results of the surveys and promote both Company-wide and division-specific initiatives. By fostering the sharing of information across the Group, we aim to enhance engagement throughout the organization.

Human Capital Development

At the CITIZEN Group, we are committed to developing the human capital needed to promote our management and the transformation of our Group and its individual companies in line with our management strategy. Our goal is to realize the growth of both our employees and the Company. This commitment is reflected in initiatives, such as Group-wide tiered training programs led by Citizen Watch, as well as training programs conducted by the individual Group companies. To further increase

collaboration in talent development areas, we have launched the Group Transformation Promotion Training and Basic Management Training programs. Some components of Group Transformation Promotion Training are conducted in collaboration with Citizen Watch’s Reskilling Training for managers. We are also focused on cultivating the next generation of leaders who will shape the future of the Group, including cross-company talent rotation programs that transcend organizational boundaries.

Human Capital Development Road Map

Category	FY2024 Results	2030 Goal
Target	Establish a Group-wide system to develop the human capital necessary for the transformation and growth of the Group and individual companies.	Based on the management strategy, develop the human capital necessary for the management and transformation of the Group and its individual companies, and achieve growth of both the companies and their individual employees.
KPI	200 or more participants in the Group Transformation Promotion Training (with 100% of Citizen Watch management staff participating in the reskilling training) Result: More than 300 participants (with a reskilling training attendance of 100%)	Accumulated a total of 1,000 or more participants in the Group Transformation Promotion Training and Management Human Capital Development Training programs
	30 or more participants in the Basic Management Training Result: 31 participants	
Measures	Group Transformation Promotion Training Basic Management Training Group Succession Plan	

Supporting Autonomous Career Development

Citizen Watch aims to develop professional talent from an early stage by promoting both Company-led and self-directed employee initiatives supporting the growth of both individuals and the organization. To encourage employees to independently develop their careers, we offer optional career seminars and have expanded our elective training system that allows employees to choose from various courses organized by job level and topic according to their own development needs. We have also introduced an in-house side job system, which allows employees to spend approximately 20% of their working hours on roles outside their primary duties. This program provides employees with opportunities to gain knowledge and skills not available through regular work, build internal networks, and bring diverse perspectives into existing

departments. Combined with the previously introduced external side job system, these initiatives give employees the opportunity to pursue experiences aligned with their aspirations. In addition, we have officially introduced an internal open transfer system that enables departments in need of talent to call for applicants internally, leading to transfers that better reflect employee preferences and career goals. In department-level human resource development activities, we utilize 360-degree feedback and follow-up training to enhance employee development and managerial capabilities. In our talent management efforts to foster a diverse workforce, we support employees’ efforts to develop their own careers while building a Company-wide framework for strengthening and optimizing our human resources.

Diversity, Equity and Inclusion

The CITIZEN Group believes that a core responsibility of management is creating an environment where every employee is respected and where diversity is valued and embraced. We are committed to supporting our diverse workforce and fostering organizations where our diverse talent, the source of our competitive strengths, can fully realize their potential and build long-term careers, thereby enhancing corporate value. The director of Citizen Watch in charge of these initiatives signed the joint declaration of the Tokyo Women's Future Forum in FY2024, reaffirming the commitment of top management to the reform of our organizational culture, the development of female managers, and the creation of a more inclusive workplace as part of our management strategy. In FY2024, we also provided supervisors of female managers with opportunities to increase their understanding of the background behind and purpose of our DEI initiatives, increase their awareness of the importance of developing talented women, and learn practical methods for supporting women in the growth of their careers. One-on-one meetings with women managers were made mandatory. We also held follow-up events, including talks presented by role models, to facilitate women managers' networking activities and provide them with ongoing learning opportunities. In addition, we participated in an inter-company cross-mentoring initiative to further support women's career development activities.



Group discussion as part of the cross-mentoring program

KENKO Investment for Health Stock Selection

As part of its commitment to health and productivity management, Citizen Watch was certified as among the Outstanding Organizations of KENKO Investment for Health (Large Enterprise Category, White 500) for the second consecutive year, following its initial selection in 2024. The Company was also selected for the 2025 KENKO Investment for Health Stock Selection receiving top-tier evaluations on par with the industry's leading companies for its solid foundation in the implementation of health and productivity management. In FY2024, to increase health literacy and encourage regular exercise habits, we introduced the ASICS Health Care Check program. We also began bone density testing as part of our efforts to address women's health issues such as osteoporosis, and held unconscious bias training sessions for management. To promote communication, we organized lunch gatherings and team-building events at the CITIZEN Forest. Looking ahead, we will continue to promote health and productivity management through a top-down approach led by the president and the director in charge of these initiatives in collaboration with the health insurance association and other relevant departments.



From the perspective of enhancing employee well-being, we regard both indoor spaces and outdoor landscapes as integral parts of the workplace.

Respect for Human Rights

The CITIZEN Group Code of Conduct, which serves as behavior guidelines for all Group employees, stipulates that business activities must be conducted with due consideration for human rights, and this commitment extends to include our business partners. In line with this, we have proactively worked to increase awareness of human rights throughout the organization. With the launch of the Medium-term Management Plan 2021 in April 2019, we reaffirmed our commitment to Group-wide sustainable management and to contributing to the achievement of the SDGs through our business activities. At the same time, we established the CITIZEN Group Human Rights Policy to clearly express our stance on respecting human rights.

This policy expresses the Group's commitment to respecting the dignity and rights of all stakeholders involved in our operations, to avoiding any involvement in human rights violations, and to taking prompt action to address and remedy any adverse impact on human rights that the Group might be connected to.



CITIZEN Group
Human Rights Policy

Building a Human Rights Due Diligence Framework

To ensure the human rights of all stakeholders involved in its business activities are respected, the CITIZEN Group has a number of communication and training initiatives aimed at increasing awareness and ensuring that its policies and regulations are instilled in the Group's employees and suppliers. In FY2024, we conducted data collection and risk analysis to identify potential ways that our business activities might be associated with matters that adversely impact human rights. Using the Human Rights Due Diligence Questionnaire developed referencing the ILO Declaration on Fundamental Principles and Rights at Work, the Caux Round Table, and the UN Global Compact standards, we conducted human rights risk surveys at 13 domestic and 47 overseas Group companies. We focus on the management of working conditions, occupational health and safety, and non-discrimination activities in particular, as there is the potential for human rights risks to develop in these areas.

Corporate Governance

Basic Views on Corporate Governance

Loved by citizens, working for citizens—This is the sentiment from which Citizen Watch Co., Ltd. (“the Company”), derives its name and which it has made its Corporate Philosophy. The Company works to contribute to society and increase its corporate value through sustainable corporate activities, in harmony with the local community and the global environment. To continue to promote its aims, the Company believes it is important to ensure transparency in management and multifaceted management oversight. Accordingly, the Company is striving to expand and enhance its corporate governance.

CITIZEN has implemented all the principles set forth in the Corporate Governance Code revised in June 2021.

Corporate Governance <https://www.citizen.co.jp/global/ir/governance.html>

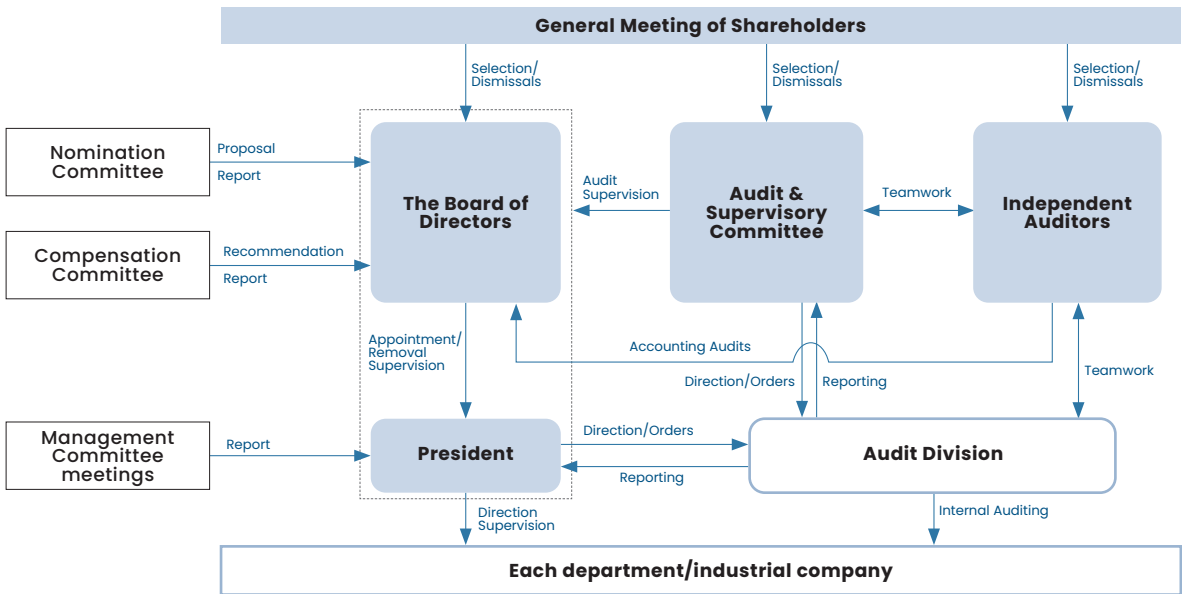


Corporate Governance Framework

The Company holds meetings of the Management Committee, consisting of full-time Directors and other members, to make prompt management decisions and maintain transparency of management. The Committee holds thorough discussions and conducts prior reviews on matters to be decided by the Board of Directors and other important management issues.

Board of Directors	Nomination Committee Chairperson: Outside Director	State of Audit & Supervisory Committee Audits, Accounting Audits, and Internal Audits
The Board of Directors of the Company consists of four Directors (excluding Directors who are Audit & Supervisory Committee Members) who preside over the corporate group and execute major business operations, three Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) who check and oversee management from an independent standpoint, leveraging abundant experience as corporate managers and broad insight, and three Audit & Supervisory Committee Members, including two Outside Directors, who have extensive knowledge of and broad insight into corporate legal affairs, accounting, etc.	The main duties of the Nomination Committee include deliberating on matters regarding the selection and/or dismissal of Representative Directors, the President and CEO, and/or the Chairperson of the Board of Directors, and offering its proposals to the Board of Directors.	Audit & Supervisory Committee Members conduct strict audits of the execution of duties by Directors in accordance with the audit policy and audit plan established by the Audit & Supervisory Committee, by attending meetings of the Board of Directors, the Management Committee, and individual meetings by business category; making reports on the state of execution of duties by Directors, etc.; viewing important approval documents; and investigating the status of operations and assets. They also receive reports on accounting audits from Nihombashi Corporation, cooperate with the accounting auditor to carry out efficient audits of the Company and its subsidiaries, and work to further enhance corporate governance.
	Compensation Committee Chairperson: Outside Director	
	The main duties of the Compensation Committee include deliberating on matters relating to policies and standards for compensation, etc., received by Directors (excluding Directors who are Audit & Supervisory Committee Members) and making recommendations to the Board of Directors.	

Corporate Governance System Schematic Diagram



Officer Compensation System

Compensation for Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of fixed compensation and performance-linked compensation. Our policy for setting the payout ratio of these two types of compensation is based on a level that will increase motivation to produce good business performance and enable the Company to attract and retain talent and that will be effective in increasing motivation to contribute to improving business performance and enhancing corporate value in the medium to long term, considering factors such as changes in the business environment, external data, general compensation levels, and the business situation.

Compensation for Directors who are Audit & Supervisory Committee Members and Outside Directors consists only of fixed compensation.

Composition of Compensation for Directors

Fixed compensation

The Company sets the amount of fixed compensation at a level that will motivate Directors to fully demonstrate their qualities and abilities and to strive for sustainable growth based on the Company's corporate philosophy, and that will enable it to attract and retain talent, while considering changes in the business environment, external data, general compensation levels, and the business situation. As a general rule, the Compensation Committee, which is delegated authority by resolution of the Board of Directors, determines the amounts of fixed compensation at meetings of the Compensation Committee held in June each year (or in a timely manner in the case of a change in positions of Directors), within the limits stipulated in the Directors' Monthly Basic Compensation Standards. Fixed compensation is paid in cash every month.

Performance-linked compensation

The ratio of performance-linked compensation exceeds 50% of individual compensation, and performance-linked share-based compensation accounts for approximately 20% of that. Performance-linked compensation may not be paid as a result of the performance evaluation or other factors.

(1) Bonuses

The Company's policy is to determine bonus amounts based on financial evaluation criteria (e.g., net sales, operating profit) and non-financial evaluation criteria (e.g., global situation, disasters, M&A) stipulated in the Directors' bonus payment standards. As a general rule, the Compensation Committee, which is delegated authority by resolution of the Board of Directors, determines the amounts of bonuses in June every year. Bonuses are paid in cash in July each year.

(2) Performance-linked share-based compensation

The Company operates a performance-linked share-based compensation system in which shares of the Company are acquired through a trust funded by amounts of Directors' compensation contributed by the Company according to position, and shares of the Company or cash in the amount equivalent to the conversion value of the shares are delivered or paid ("delivered, etc.") according to the level of achievement of business targets. The amount, number, or method of calculation of this compensation is determined by a resolution of the Board of Directors based on the recommendation of the Compensation Committee, in accordance with the Share Delivery Regulations for the Officer Compensation BIP Trust.

Total Amount of Compensation, etc., Officer Category, Total Amount by Type of Compensation, etc., and Number of Eligible Officers (140th fiscal period)

Officer category	Total amount of compensation, etc. (millions of yen)	Amount of fixed compensation out of all compensation, etc. (millions of yen)			Number of officers
		Fixed compensation	Bonuses	Performance-linked share-based compensation	
Directors (Excluding Outside Directors)	290	134	93	62	6
Audit & Supervisory Board Member (Excluding Outside Audit & Supervisory Board Members)	19	19	—	—	1
Outside Officers	61	61	—	—	5

The performance-linked share-based compensation of 62 million yen for Directors (excluding Outside Directors and non-residents in Japan) is the amount posted as expenses for the fiscal year under review.

Evaluation of Effectiveness

CITIZEN aims to continuously improve its governance system and function effectively through analysis and evaluation of the effectiveness of its Board of Directors.

FY2024 Initiatives

We conducted online training in which participants choose necessary themes and take classes online as training for all Directors and Audit & Supervisory Committee Members. Outside Officers were also provided with dedicated tablets to further improve the efficiency and security of document distribution for meeting materials.

Surveys Conducted

From February to March 2025, we conducted a questionnaire survey of the Board of Directors for all Directors and Audit & Supervisory Board Members through an external organization using tools to evaluate effectiveness.

Evaluation of Effectiveness

Directors and Audit & Supervisory Board Members generally gave high grades, and it was confirmed that the Board of Directors functioned effectively.

Challenges for FY2026

We will continue working to increase corporate value by improving upon the issues raised in this effectiveness evaluation and increasing effectiveness.

Group Risk Management

The CITIZEN Group engages in sustainable management and has established a Group-wide risk and crisis management system to consolidate and quickly address risks across the entire Group, ensuring sustainable growth and the achievement of Group-wide business objectives. This system includes various committees that address legal and compliance issues, information security, disasters, and other risks, as well as subcommittees of the Sustainability Committee that address operational risks and related ESG risks during normal business operations.

The CSR Department of Citizen Watch Co., Ltd., which plays a central role in Group risk and crisis management, works together with various departments within Citizen Watch and Group companies both in Japan and overseas to strengthen Group governance, implement measures to enhance quality compliance, check progress in addressing important Group risks, and identify and respond to new risks. ESG risks and material risks, like other important risks, require action to ensure the Group's continued existence. For this reason, the

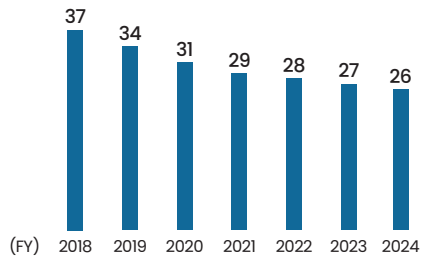
Sustainability Committee leads discussions on the impact of such risks on the Group and corresponding response measures. It also works to foster risk awareness throughout the Group, according to the unique risks at each Group company. It also holds discussions on preventive measures and other responses to emerging risks that could have significant medium-term impacts on the Group, including cyberattacks, data breaches, and changes in overseas regulations.

Cross-Shareholdings

The Company maintains shareholdings when it is judged, comprehensively, to contribute to the maintenance and enhancement of the Group's medium- to long-term business relationships, the smooth operation of the Company's business operations, and business development. Regarding verification of individual cross-shareholdings, the Board of Directors follows a basic policy of verifying the

rationality and necessity of such cross-shareholdings every year considering factors such as the relationships between business partners and the Group and the possibility of mutual enhancement of corporate value, and strives to reduce shareholdings of shares for which the significance of continued retention has been diluted.

Number of Cross-Shareholdings



Compliance

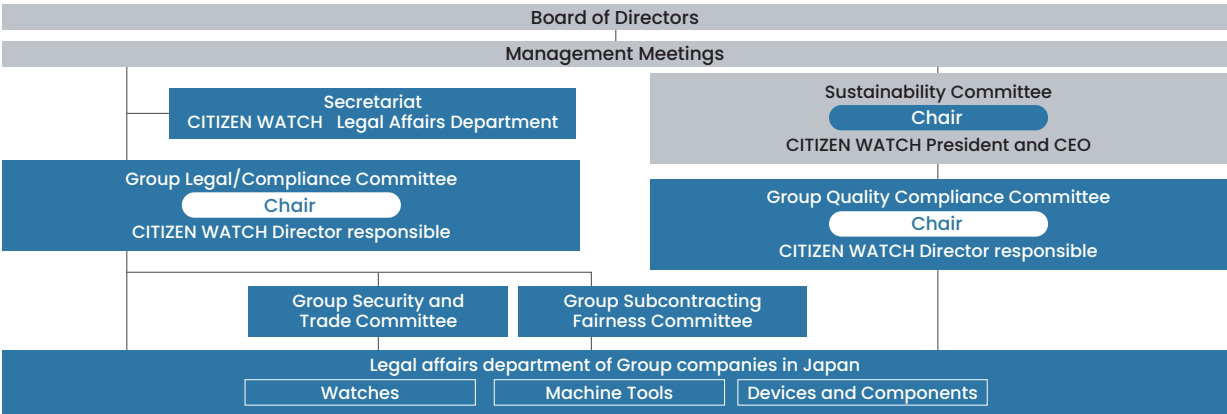
Basic Philosophy Regarding Compliance

The CITIZEN Group has been a participant in the UN Global Compact since April 2005. We not only endorse the four areas and 10 principles of the Global Compact and engage in ongoing efforts to achieve them but also have established the corporate philosophy of "Loved by citizens, working for citizens." Furthermore, we have established the CITIZEN Group Code of Conduct as a set of concrete action guidelines, and strive to always think and act in ways that

align with the responsibilities of a good corporate citizen. Article 3 of the CITIZEN Group Code of Conduct states that we will "Engage in business practices that are fair, transparent, open to competition, and responsible." We strive not only to comply with laws and regulations but also to act with a high sense of ethics. Given the increasing complexity of our global business operations, we also established the CITIZEN Group Anti-Corruption Policy in April

2020 to systematically outline the Group's stance and approach toward corruption, including fraud and bribery, with the aim of thoroughly eliminating all forms of corruption. Based on this policy, we strive to ensure that every employee maintains a high level of compliance awareness, and work to build healthy relationships and trust with stakeholders, including customers and business partners.

CITIZEN Group Corporate Governance System



Message from an Outside Director

Evaluation of the Medium-term Management Plan 2024

The Medium-term Management Plan 2024 was a period during which we focused on strengthening our business foundation to overcome the deterioration in performance caused by the COVID-19 pandemic and move toward achieving Group Vision 2030. As an Outside Director responsible for supervising and reviewing the execution of management, I emphasized the importance of expanding production capacity and improving productivity in the Machine Tools Business, which is particularly susceptible to cyclical market influences, with a view to achieving a full-scale recovery in orders. I engaged in in-depth discussions with management on these issues. As a result, we steadily advanced expansions in capacity at each Machine Tools manufacturing site, achieving a 40% increase in production capacity compared with FY2021.

While advancing the Medium-term Management Plan 2024 strategies to improve performance and build a solid business foundation, we also recognized that the price-to-book ratio (PBR) falling below 1 was a significant challenge. After thorough discussions, we implemented two share buybacks to improve management indicators. In particular, the second share buyback was significantly large. Following its announcement in 2023, it not only improved capital efficiency but also led to an increase in PBR, earning us a certain level of recognition from the stock market. While continued improvement in PBR remains necessary, I believe that implementing and verifying this approach as one method toward improving CITIZEN's management indicators was meaningful.

In addition, with calls for the enhancement of corporate governance and the role of Outside Directors within companies becoming increasingly important, improving the ratio of Outside Directors on the Board of Directors was a key challenge. I also feel that it was a significant achievement that I was able to engage in thorough discussions with management regarding the establishment of a framework for the Medium-term Management Plan 2027.

Medium-term Management Plan 2027

Under the new Medium-term Management Plan, the sales target for FY2027 is 360 billion yen, which represents growth of more than 10% compared with the results for FY2024. The key to achieving this target is sales capabilities. To translate the solid business foundation we built under the previous Medium-term Management Plan into results, we must focus our efforts on sales.

In the Watches Business, alongside capital investments, strategies aimed at enhancing



Sales and communication
abilities are the key
Let's maximize our potential to
grow to the next level

Citizen Watch Co., Ltd.
Outside Director
Yoshio Osawa

brand value will also be key. In addition to the CITIZEN brand, the Company owns other well-established brands with a long history, such as BULOVA, which has a strong presence in the North American market. We also have advanced technologies such as Eco-Drive, GPS satellite radio-controlled watches, and titanium processing, which are world-class, but I feel that a lot more still needs to be done to promote them. To help customers understand the value of our products, we need to strengthen marketing efforts using social media and e-commerce, and communicate the emotional value and stories behind our watches.

The same applies to the Machine Tools Business, where we have achieved an increase in production capacity under the previous Medium-term Management Plan. By engaging in key initiatives focused on strengthening sales capabilities, we aim to effectively capture the upcoming wave of order recovery, thereby achieving our sales target of 100 billion yen for FY2027, and making a significant contribution to the achievement of the Group's consolidated numerical targets.

From a management perspective, we recognize that improving PBR is essential. To communicate the Company's growth potential to the stock market, we must communicate CITIZEN's strengths and positive attributes to the outside world more than ever before. Continuous improvement of ROE is also important. At the same time as enhancing sales capabilities, improving productivity through automation of manufacturing sites and the advancement of digital transformation (DX) will also be key points.

Enhancing Corporate Governance

As of June 2025, the Company has transitioned to a company with an Audit & Supervisory Committee structure. This was achieved through active discussions during the previous Medium-term Management Plan period, as mentioned earlier. Under the new structure, Audit & Supervisory Board Members have

become Directors who are Audit & Supervisory Committee Members, and their voting rights at Board of Directors meetings will help to energize Board discussions. It is also very pleasing that the ratio of Outside Directors has increased and the ratio of female directors has reached 30%, further strengthening the Company's corporate governance system.

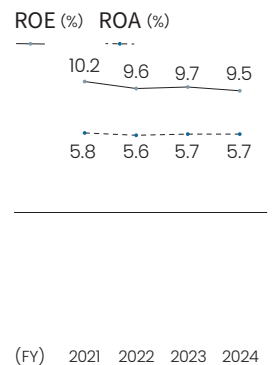
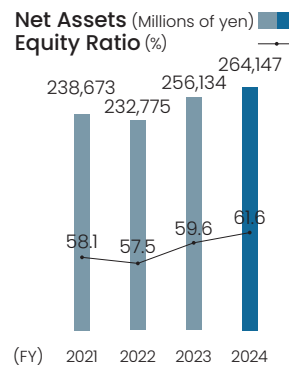
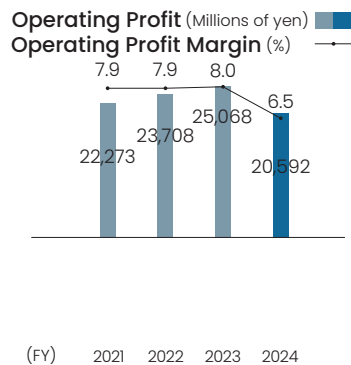
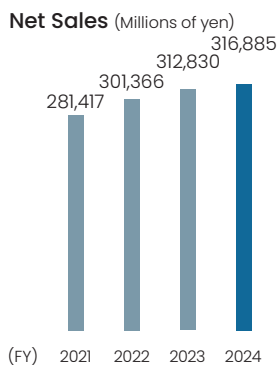
As an Outside Director, I will continue to contribute to the management of CITIZEN by leveraging the experience and know-how that I have accumulated in areas such as business management, investment decisions (including M&A), and human resources development. I will also remain mindful of the perspectives of minority shareholders and continue to provide active input at Board meetings and other meetings.

Expectations for the CITIZEN Group

Companies with more than 100 years of history, like CITIZEN, tend to become overly reliant on precedent. Given that the environment and conditions today are different from those of the past, it is crucial for every CITIZEN Group employee to focus on both the present and the future, and continuously review and improve the Group's management and various systems. In the Watches Business, CITIZEN is one of a handful of manufacturers around the world capable of integrated in-house watch manufacture, of everything from individual parts to completed products. Going forward, I hope that the Company will strive to communicate the value of these manufacturing capabilities, which cannot be achieved overnight. The Group's core technologies—centered on precision processing techniques cultivated through watch manufacturing—are also highly regarded, and the CITIZEN Group has great potential. How can we communicate and express these strengths to the world and monetize them? If the Company can achieve this, I expect it to lead to significant growth for the CITIZEN Group in the future.

Financial and Non-financial Highlights

		(FY)	2014	2015	2016
Financial Data	Operating Results				
	Net sales	(Unit) Millions of yen	328,456	348,267	312,559
	Gross profit	Millions of yen	129,876	134,759	120,236
	Operating profit	Millions of yen	27,889	30,467	21,501
	Operating profit margin	%	8.5	8.7	6.9
	Ordinary profit	Millions of yen	31,403	30,619	21,985
	Profit attributable to owners of parent	Millions of yen	17,572	13,201	16,573
	Status of Cash Flows				
	Cash flows from operating activities	Millions of yen	29,053	29,980	32,781
	Cash flows from investing activities	Millions of yen	(9,246)	(24,637)	(27,861)
	Cash flows from financing activities	Millions of yen	(9,745)	(12,205)	(20,626)
	Free cash flow	Millions of yen	19,807	5,343	4,920
	Key Financial Indicators				
	Total assets	Millions of yen	421,563	406,462	395,887
	Net assets	Millions of yen	247,972	237,469	249,215
	Interest-bearing liabilities	Millions of yen	69,164	67,444	53,031
	Return on equity (ROE)	%	7.8	5.7	7.1
	Return on assets (ROA)	%	4.4	3.2	4.1
	Equity ratio	%	56.6	56.0	60.5
	Capital expenditures	Millions of yen	18,913	22,822	23,621
	Depreciation	Millions of yen	14,386	14,934	12,509
	R&D expenses	Millions of yen	8,169	7,500	7,113
	Total amount of dividends	Millions of yen	5,183	5,411	5,410
Non-financial Data	Number of employees	(Unit) People	23,651	21,665	21,279
	Percentage of female employees*	%	-	-	-
	Percentage of female employees in management positions*	%	-	-	-
	Number of male employees taking childcare leave*	People	-	-	-
	Number of female employees taking childcare leave*	People	-	-	-
	Percentage of overseas employees	%	65.3	60.5	60.0
	CO ₂ emissions (Scope 1 + 2)	t-CO ₂	217,144	196,152	193,318
	Total energy consumption	GJ	1,536,904	1,422,152	1,477,626
	Water withdrawal	1,000m ³	2,607	2,731	2,293
	Recycling rate	%	59.5	64.6	66.6



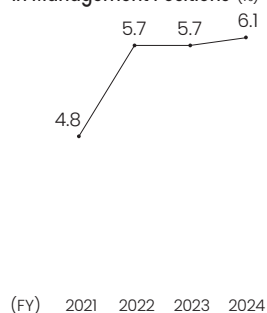
Historical Financial Data
<https://www.citizen.co.jp/global/ir/chart1.html>



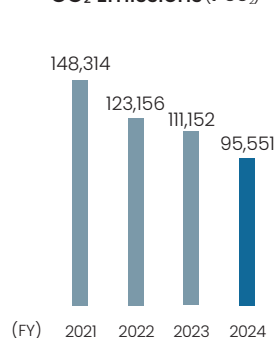
	2017	2018	2019	2020	2021	2022	2023	2024
	320,047	321,652	278,531	206,641	281,417	301,366	312,830	316,885
	124,393	123,557	101,100	65,898	106,839	122,180	131,383	134,550
	24,920	22,411	6,136	(9,551)	22,273	23,708	25,068	20,592
	7.8	7.0	2.2	(4.6)	7.9	7.9	8.0	6.5
	26,664	26,602	7,531	(4,143)	27,342	29,096	30,810	23,024
	19,303	13,369	(16,667)	(25,173)	22,140	21,836	22,958	23,876
	32,539	19,897	17,347	7,490	34,693	16,576	34,564	35,765
	(7,862)	(19,861)	(15,498)	(7,628)	(9,550)	(13,526)	(12,697)	(10,032)
	(11,716)	(5,888)	(7,049)	18,337	(19,956)	(40,062)	(26,994)	(12,542)
	24,677	36	1,849	(138)	25,142	3,049	21,867	25,732
	409,909	413,911	369,575	365,811	394,962	389,982	415,445	415,552
	263,713	267,547	230,791	212,864	238,673	232,775	256,134	264,147
	49,027	51,065	55,157	74,862	66,155	65,116	71,343	69,996
	7.8	5.2	(7.0)	(11.8)	10.2	9.6	9.7	9.5
	4.8	3.2	(4.3)	(6.8)	5.8	5.6	5.7	5.7
	61.9	62.2	60.0	55.8	58.1	57.5	59.6	61.6
	16,854	23,756	21,140	10,907	10,770	17,428	22,020	20,910
	13,795	13,947	15,438	11,558	11,191	11,200	12,327	13,596
	7,161	6,339	6,164	5,576	5,542	5,693	5,807	5,671
	7,002	6,365	3,751	1,565	5,504	9,315	9,761	10,992
	20,882	20,239	19,593	17,044	16,161	15,402	14,817	14,452
	-	19.0	20.4	20.1	20.3	21.5	21.6	22.6
	-	3.6	3.7	4.4	4.8	5.7	5.7	6.1
	-	6	18	20	25	33	92	75
	-	32	44	27	32	35	34	27
	59.7	58.2	56.7	59.5	59.2	57.7	56.3	55.6
	186,730	180,784	166,906	136,740	148,314	123,156	111,152	95,551
	1,474,879	1,464,616	1,368,041	1,166,060	1,258,866	1,192,060	1,114,130	1,083,652
	2,174	2,225	1,954	1,751	1,860	1,783	1,674	1,692
	74.3	78.6	77.3	78.3	73.1	88.0	91.8	92.6

* End of fiscal year data for all six main Group companies
 (Citizen Watch, Citizen Watch Manufacturing, Citizen Machinery, Citizen Finedevice, Citizen Systems, and Citizen Electronics)

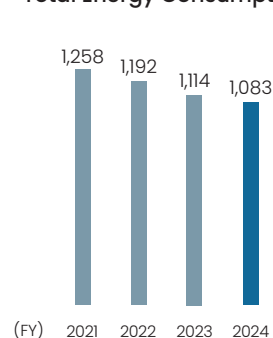
Percentage of Female Employees
in Management Positions (%)



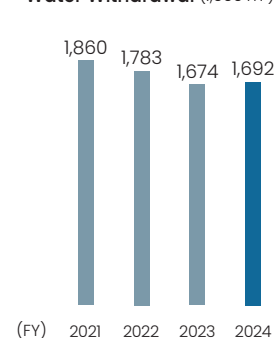
CO₂ Emissions (t-CO₂)



Total Energy Consumption (TJ)



Water Withdrawal (1,000 m³)



Management Team

Directors

President & CEO

Yoshitaka Oji



[Career Summary]

1986 Joined the Company
2005 Assigned to Marketing Department, Watch Business Division of the Company (assigned to Singapore)
2011 General Manager of Business Administration Department, Administration Division of Citizen Watch Co., Ltd.
2015 General Manager of Corporate Planning Division of the Company
2016 Operating Officer of the Company
2017 Director of the Company
2019 Senior General Manager of Product Development Division, Senior General Manager of Watch Development Division and Senior General Manager of R&D Center of the Company
2022 Managing Director of the Company
2022 Senior General Manager of Watch Business Division of the Company
2025 President and CEO of the Company (present)

Based on his experience in implementing business strategies for the Group's Watches Business and his track record in driving product development for the Company's watches, Yoshitaka Oji will continue to play a leading role in enhancing the Group's corporate value by driving the execution of the Medium-term Management Plan 2027 as President and CEO. Assumed current role in 2025.

Managing Director
In charge of Group Risk Management, Personnel Division,
General Affairs Division and CSR Department

Yoshiaki Miyamoto



[Career Summary]

1990 Joined the Company
2009 Deputy General Manager of Business Administration Department, Administration Division of Citizen Watch Co., Ltd.
2010 Deputy General Manager of Strategic Planning Department, Planning Division of Citizen Watch Co., Ltd.
2012 President of Citizen Watch Manufacturing (Thailand) Co., Ltd.
2014 President of Citizen Watch Europe GmbH
2017 Senior Operating Officer of the Company
2017 General Manager of General Affairs Division of the Company
2017 In charge of Group Risk Management and Personnel Division of the Company (present)
2018 Director of the Company
2019 In charge of Environmental Management Department of the Company
2019 In charge of CSR Department of the Company (present)
2025 Managing Director of the Company (present)
2025 In charge of General Affairs Division of the Company (present)

After being involved in the start-up of new plants at Group overseas subsidiaries engaged in watch and clock manufacturing, Yoshiaki Miyamoto managed overseas subsidiaries responsible for watch and clock sales. He also has a track record as Director with responsibility for Group risk management, general affairs, and personnel. Assumed current role in 2025.

Senior Managing Director
In charge of Corporate Planning Division, IT Management
Department and Devices and Components Business

Toshiyuki Furukawa



[Career Summary]

1986 Joined the Company
2009 Manager of Investor and Public Relations Department of the Company
2011 General Manager of Corporate Planning Division of the Company
2015 Director of Citizen Watch Co., Ltd.
2015 General Manager of Management Planning Division and in charge of Accounting Department of Citizen Watch Co., Ltd.
2016 Director of the Company
2016 General Manager of Corporate Planning Division of the Company
2016 In charge of Accounting Department and Public & Investor Relations Department of the Company
2016 In charge of IT Management Department of the Company (present)
2021 In charge of Corporate Planning Division of the Company (present)
2022 Managing Director of the Company
2025 Senior Managing Director of the Company (present)
2025 In charge of Devices and Components Business of the Company (present)

After serving as head of Public & Investor Relations, where he was involved in investor dialogues and PR strategies, Toshiyuki Furukawa gained experience and expertise as General Manager of the Corporate Planning Department, responsible for formulating Group management strategies, and as a Director in charge of Corporate Planning and Accounting. Assumed current role in 2025.

Director
In charge of Public & Investor Relations Department,
Sustainability Development Department, Development
Division and Intellectual Property Division

Keiichi Kobayashi



[Career Summary]

1992 Joined Citizen Trading Co., Ltd.
2005 Assigned to Marketing Department, Watch Business Division of the Company (assigned to United States of America)
2007 Assigned to CB Business Division of Citizen Watch Co., Ltd. (assigned to United States of America)
2016 Deputy General Manager of Switzerland of Global Marketing Division of the Company
2017 President of Citizen Watch Europe GmbH
2022 Operating Officer of the Company
2022 General Manager of Corporate Planning Division of the Company
2025 Senior Operating Officer of the Company
2025 In charge of Public & Investor Relations Department, Sustainability Development Department, Development Division and Intellectual Property Division of the Company (present)
2025 Director of the Company (present)

Keiichi Kobayashi has experience managing overseas subsidiaries responsible for the Group's watch sales, as well as a proven track record in formulating Group management strategies as General Manager of the Corporate Planning Division. Assumed current role in 2025.

Outside Director
Independent

Toshiko Kuboki



[Career Summary]

1987 Registered as an attorney-at-law
2002 Conciliation commissioner of Tokyo Family Court (present)
2012 Visiting Professor of Graduate School of Law, Chuo University (present)
2015 Outside Director of Qol Co., Ltd. (Currently Qol Holdings Co., Ltd.) (present)
2015 Outside Auditor of Kyodo News (present)
2016 Outside Audit & Supervisory Board Member of the Company
2019 Outside Director of the Company (present)
2023 Vice President of Tokyo Medical and Dental University
2023 Outside Director and Audit and Supervisory Committee Member of Asahi Yukizai Corporation (present)
2024 Vice President of Institute of Science Tokyo (present)
2025 Audit Commissioner of Chuo-ku, Tokyo (present)

Outside Director
Independent

Yoshio Osawa



[Career Summary]

2003 Corporate Officer and General Manager of Network Division of Sumitomo Corporation
2005 Executive Officer and General Manager of Network Division of Sumitomo Corporation
2007 Executive Officer and General Manager of Media Division of Sumitomo Corporation
2008 Managing Executive Officer and General Manager of Media, Network & Lifestyle Retail Business Unit of Sumitomo Corporation
2008 Representative Director and Managing Executive Officer of Sumitomo Corporation
2011 Representative Director and Senior Managing Executive Officer of Sumitomo Corporation
2013 Representative Director, President and Chief Operating Officer of SCSK Corporation
2015 Representative Director and President of SCSK Corporation
2016 Director and Chairman of the Board of SCSK Corporation
2017 Director of SCSK Corporation
2018 Outside Director of Canon Marketing Japan Inc. (present)
2019 Outside Director of the Company (present)
2024 Outside Director of Fujitsu General Ltd. (present)

Outside Director
Independent

Katsuhiko Yoshida



[Career Summary]

2007 Executive Officer of Kao Corporation
2012 Managing Executive Officer of Kao Corporation
2014 Representative Director, Managing Executive Officer of Kao Corporation
2015 Representative Director, Senior Managing Executive Officer of Kao Corporation
2019 President of Japan Childcare Support Association (present)
2022 Outside Director of Kawasaki Heavy Industries, Ltd. (present)
2022 Outside Director of the Company (present)

[Independent] Independent officer pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

"Citizen Watch Co., Ltd." mentioned above in the career summary refers to the subsidiary that was newly incorporated in an incorporation-type split on April 2, 2007, and dissolved through being merged with the Company on October 1, 2016.

Directors and Audit & Supervisory Committee Members

Director and Full-time Audit & Supervisory Committee Member

Kazunori Yanagi

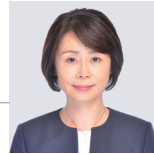


[Career Summary]

1986 Joined the Company
2007 General Manager of Accounting Department, Administration Division of Citizen Watch Co., Ltd.
2011 General Manager of Accounting Department of Citizen Watch Co., Ltd.
2012 Executive Officer of Citizen Jewelry Co., Ltd.
2014 Director of ROYAL TIME CITI CO., LTD.
2014 Representative Director and President of ROYAL TIME CITI CO., LTD.
2017 Director of ROYAL TIME CITI CO., LTD.
2019 Director of Citizen Watch Manufacturing Co., Ltd.
2022 Audit & Supervisory Board Member of the Company
2025 Director and Full-time Audit & Supervisory Committee Member of the Company (present)

Outside Director and Audit & Supervisory Committee Member Independent

Yaeko Ishida



[Career Summary]

2000 Registered as an attorney-at-law
2007 Judicial Commissioner of Tokyo Summary Court
2016 Conciliation Commissioner of Tachikawa Branch of Tokyo Family Court
2019 Outside Audit & Supervisory Board Member of the Company
2021 Outside Director of Inageya Co., Ltd. (present)
2023 Outside Director of Shindengen Electric Manufacturing Co., Ltd. (present)
2025 Outside Director and Audit & Supervisory Committee Member of the Company (present)

Ms. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.

Outside Director and Audit & Supervisory Committee Member Independent

Noriko Yamanaka



[Career Summary]

1998 Joined Asahi & Co. (Currently KPMG AZSA LLC)
2002 Registered as a certified public accountant
2004 Joined Criminal Investigation Division, Securities and Exchange Surveillance Commission, Financial Services Agency
2006 Joined AZSA & Co. (Currently KPMG AZSA LLC)
2012 Joined Suntory Holdings Limited
2022 Auditor of Pronto Corporation
2024 Outside Director who is a member of the Audit and Supervisory Committee of I-ne Co., Ltd. (present)
2025 Outside Director and Audit & Supervisory Committee Member of the Company (present)

Skill Matrix

The Company has specified the knowledge, experience, and skills needed to fulfill the roles and duties of the Board of Directors effectively for achieving business strategies and discloses the skills matrix as an indicator of the overall balance of knowledge, experience, and skills, and diversity of its Board of Directors as a whole.

The skills possessed by each Director are as follows.

Position/Name	Gender	Corporate management/Management strategy	Sales/Marketing	Technology/Development/Production	Global management	IT/DX	Human resources development/Diversity	Finance/Accounting	ESG/Sustainability	Legal/Risk management
President & CEO Yoshitaka Oji	Male	●	●	●	●				●	
Senior Managing Director Toshiyuki Furukawa	Male	●	●		●	●		●	●	
Managing Director Yoshiaki Miyamoto	Male	●		●	●		●		●	●
Director Keiichi Kobayashi	Male	●	●		●	●			●	
Outside Director Toshiko Kuboki	Female						●		●	●
Outside Director Yoshio Osawa	Male	●	●		●	●			●	●
Outside Director Katsuhiko Yoshida	Male	●	●	●			●		●	
Director and Full-time Audit & Supervisory Committee Member Kazunori Yanagi	Male	●		●	●		●	●		
Outside Director and Audit & Supervisory Committee Member Yaeko Ishida	Female								●	●
Outside Director and Audit & Supervisory Committee Member Noriko Yamanaka	Female							●		●

Note: This does not represent all of the knowledge and experience possessed by each director.

Senior Operating Officers

Senior Operating Officer
In charge of Machine Tools Business
Hideo Ina

Senior Operating Officer
In charge of Accounting Department
Mitsunori Morita

Senior Operating Officer
In charge of Watch Manufacturing
Hiroshi Utsunomiya

Dialogue with Shareholders and Investors

Policy for Constructive Dialogue with Shareholders

The Company holds a medium-term management plan briefing, a quarterly financial results briefing, and other conferences. The President and the Directors in charge of operations attend such dialogues with these shareholders.

In addition, the Company regularly communicates its messages through the General Meeting of Shareholders, various briefings and other meetings, websites and other channels, and media. Opinions and other comments received from the shareholders are shared among the top management and the related departments. The IR department and the related departments of the Company also liaise with each other and share the opinions of the shareholders for arguments.

Status of Main Dialogue Results in FY2024

Main responders: President & CEO, Director in charge of IR, Directors, Department in charge of IR

Activities	Results	Description
Financial results briefings	Four times/155 companies	Quarterly financial results briefings were held. Note: The President & CEO attended twice a year, at the end of the second quarter and at the end of the fiscal year.
Medium-term Management Plan briefing	One time/32 companies	Medium-term Management Plan briefing session was held online for the first time in three years.
Individual interviews	129 times/202 companies	Meetings with domestic and foreign institutional investors and securities company analysts were held.
IR events, etc.	Three times	Executed business presentations and participated in conferences sponsored by securities firms

*The number of companies is the total.

Main Themes and Concerns of the Dialogue

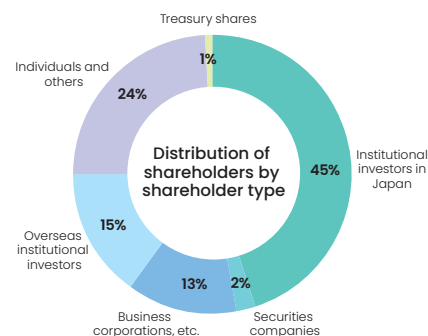
- Medium- to long-term growth strategy of the Watches Business
- Expansion of orders and production system in the Machine Tools Business
- Concept of investing in growth and rationalization together with shareholder returns

Shareholder Composition

Total number of authorized shares	959,752,000
Total number of shares issued	246,000,000
Number of shareholders	98,384

Stock Information (As of March 31, 2025)

Securities code	7762
Stock exchange listing	Tokyo Stock Exchange Prime Market
Date of listing	May 1949
Number of shares constituting one unit	100 shares



Status of Major Shareholders (As of March 31, 2025)

Name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd.	53,003	21.70
Custody Bank of Japan, Ltd.	22,741	9.31
Nippon Life Insurance Company	11,948	4.89
Nichia Corporation	10,000	4.09
Mitsubishi UFJ Trust and Banking Corporation	4,568	1.87
Citizen Group Employee Shareholding Association	4,545	1.86
Mitsubishi Electric Corporation	4,317	1.77
Mizuho Bank, Ltd.	4,309	1.76
Shimizu Corporation	4,128	1.69
The Nomura Trust and Banking Co., Ltd.	3,650	1.49

Note: Shareholding is calculated after deducting 1,731,920 treasury shares.

Corporate Information

Company Overview (As of March 31, 2025)

Corporate name	Citizen Watch Co., Ltd.
Established	May 28, 1930
Headquarters	6-1-12, Tanashi-cho, Nishi-Tokyo-shi, Tokyo 188-8511, Japan
Representative	Yoshitaka Oji, President and CEO
Capital	¥32,648 million
Employees	14,452 (consolidated)
Business description	Manufacturing and sale of watches and their components, and as a holding company, planning and implementation of Group management strategies, Group business auditing, development of Group technologies, intellectual property management, and other administrative operations.

Works

- Headquarters, Tokyo Works
- Tokorozawa Works

Domestic Group

- CITIZEN MACHINERY CO., LTD.
- CITIZEN FINEDEVICE CO., LTD.
- CITIZEN SYSTEMS JAPAN CO., LTD.
- CITIZEN ELECTRONICS CO., LTD.
- CITIZEN WATCH MANUFACTURING CO., LTD.
- CITIZEN RETAIL PLANNING CO., LTD.
- CITIZEN T.I.C. CO., LTD.
- TOKYO BIJUTSU CO., LTD.
- CITIZEN MICRO CO., LTD.
- CITIZEN CHIBA PRECISION CO., LTD.
- FUJIMI CORPORATION
- CITIZEN ELECTRONICS TIMEL CO., LTD.
- CITIZEN CUSTOMER SERVICE CO., LTD.
- CITIZEN LOGISTICS SERVICE CO., LTD.

Overseas Group

EUROPE

- CITIZEN WATCH IBÉRICA, S.A.U.
- CITIZEN WATCH EUROPE G.M.B.H.
- CITIZEN WATCH ITALY S.P.A.
- CITIZEN WATCH UNITED KINGDOM, LTD.
- MANUFACTURE LA JOUX-PERRET S.A.
- FREDERIQUE CONSTANT HOLDING SA
- CITIZEN MACHINERY EUROPE G.M.B.H.
- CITIZEN MACHINERY UK LTD.
- CITIZEN MACCHINE ITALIA S.R.L.
- CITIZEN MACHINERY FRANCE S.A.S.
- EGASCA, S.A.
- C-E (DEUTSCHLAND) G.M.B.H.
- CITIZEN SYSTEMS EUROPE G.M.B.H.

ASIA, OCEANIA

- CITIZEN (SHANGHAI) TRADING CO., LTD.

- CITIZEN WATCH (CHINA) CO., LTD.
- CITIZEN WATCHES (H.K.) LTD.
- CITIZEN WATCHES (INDIA) PVT. LTD.
- CITIZEN WATCHES (MALAYSIA) SDN. BHD.
- CITIZEN WATCHES AUSTRALIA PTY LTD.
- GUANGZHOU MOST CROWN ELECTRONICS LTD.
- ROYAL TIME CITI CO., LTD.
- SUNCITI MANUFACTURERS LTD.
- CITIZEN WATCH MANUFACTURING (THAILAND) CO., LTD.
- CIVIS MANUFACTURING LTD.
- CITIZEN (CHINA) PRECISION MACHINERY CO., LTD.
- CINCOM MIYANO TAIWAN CO., LTD.
- CITIZEN MACHINERY ASIA CO., LTD.
- CITIZEN MACHINERY VIETNAM CO., LTD.
- CITIZEN MACHINERY PHILIPPINES INC.
- MASTER CROWN ELECTRONICS (WUZHOU) LTD.
- CITIZEN SEIMITSU (THAILAND) CO., LTD.

- CITIZEN FINEDEVICE PHILIPPINES CORP.
- CITIZEN ELECTRONICS (CHINA) CO., LTD.
- C-E (HONG KONG) LTD.
- JIANG XING ELECTRONICS LTD.
- FIRSTCOME ELECTRONICS LTD.
- CITIZEN SYSTEMS (H.K.) LTD.
- CITIZEN SYSTEMS (JIANGMEN) CO., LTD.
- CITIZEN SYSTEMS (DONGGUAN) CO., LTD.

NORTH AMERICA, SOUTH AMERICA

- CITIZEN DE MEXICO, S. DE R. L. DE C. V.
- CITIZEN LATINAMERICA CORPORATION
- CITIZEN WATCH COMPANY OF AMERICA, INC.
- CITIZEN WATCH CANADA, LTD.
- MIYOTA DEVELOPMENT CENTER OF AMERICA INC.
- CECOL, INC.
- CITIZEN SYSTEMS AMERICA CORP.

Ratings

Rating agency	Rating	Rating explanation (Excerpt)
Rating and Investment Information, Inc. (R&I)	A <Stable>	High creditworthiness supported by a few excellent factors

For more details, please refer to the following rating agency's website.

Rating and Investment Information, Inc. (R&I) <https://www.r-i.co.jp/en/index.html>

Major Social Recognition



2025 CONSTITUENT MSCI NIHONKABU
ESG SELECT LEADERS INDEX

2025 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



FINANCIAL DATA FY2024

Analysis of Operating Results

Fiscal Year-End Operating Results

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025	Year-on-year change
Net sales	312,830	316,885	1.3%
Operating profit or loss	25,068	20,592	(17.9%)
Ordinary profit or loss	30,810	23,024	(25.3%)
Profit or loss attributable to owners of parent	22,958	23,876	4.0%

During the consolidated fiscal year under review, the Japanese economy saw consumer sentiment shift to frugality due to the prolonged period of inflation, and the recovery in personal consumption remained weak. Consumer spending in North America was solid, supported by improved income conditions and other factors. In the European economy, consumer spending showed signs of recovery against a backdrop of slowing inflation and other factors. The Asian economy lacked momentum toward a recovery. In China, the economic slowdown continued. In the rest of Asia, consumer spending was at a standstill.

In this environment, the Citizen Group's consolidated results for the fiscal year under review showed an increase in sales and a decrease in profits, with net sales of 316.8 billion yen (up 1.3% year on year) and operating profit of 20.5 billion yen (down 17.9% year on year). These results were driven mainly by strong performance in Watches. Ordinary profit decreased to 23.0 billion yen (down 25.3% year on year) and profit attributable to owners of parent increased to 23.8 billion yen (up 4.0% year on year).

Analysis of Financial Position

(i) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, total assets had increased by 0.1 billion yen from the end of the previous consolidated fiscal year, to 415.5 billion yen. Current assets increased by 4.2 billion yen, mainly reflecting rise of 12.4 billion yen in cash and deposits, more than offsetting a 3.8 billion yen decrease in notes and accounts receivable and a 4.7 billion yen decrease in trade and inventories. Non-current assets decreased by 4.1 billion yen, reflecting an 9.6 billion yen decrease in investment securities, more than offsetting a 3.6 billion yen increase in property, plant and equipment.

Liabilities decreased by 7.9 billion yen from the end of the previous consolidated fiscal year, to 151.4 billion yen. This was primarily due to decreases of 1.4 billion yen in electronically recorded obligations - operating and 3.1 billion yen in deferred tax liabilities.

Net assets increased by 8.0 billion yen from the end of the previous consolidated fiscal year, to 264.1 billion yen, primarily reflecting a 13.4 billion yen increase in retained earnings, more than offsetting a 4.9 billion yen decrease in valuation difference on available-for-sale securities and a 1.3 billion yen decrease in foreign currency translation adjustment.

(ii) Cash Flows

For the cash status of the Citizen Group, cash provided from operating activities was 35.7 billion yen, an increase of 1.2 billion yen in income from the previous fiscal year. Contributing factors include increases such as profit before income taxes of 29.5 billion yen and depreciation of 13.5 billion yen, more than offsetting decreases, such as 7.5 billion yen in gain on sale of investment securities and income tax

payments amounting to 7.6 billion yen.

Cash used in investing activities was 10.0 billion yen, a decrease of 2.6 billion yen in expenditure from the previous fiscal year. Factors for the decrease include 17.0 billion yen in the purchase of property, plant and equipment, which more than offset factors such as proceeds from the sale of investment securities of 9.5 billion yen.

Cash used in financing activities was 12.5 billion yen, a decrease of 14.4 billion yen in expenditure from the previous fiscal year. This was mainly due to factors such as 10.3 billion yen in dividends paid.

As a result, cash and cash equivalents increased 12.2 billion yen year on year to total 92.5 billion yen at the end of the fiscal year under review.

(iii) Fundamental Policy Regarding the Distribution of Profits and Dividends for the Fiscal Year under Review and the Fiscal Year Ending March 2025

CITIZEN believes it is important to return profits to shareholders. Its basic shareholder return policy for the three years of Medium-term Management Plan 2027 (from FY2025 (the fiscal year ending March 31, 2026) until FY2027 (the fiscal year ending March 31, 2028)) is to aim for a dividend on equity ratio (DOE) of no less than 5.0% (note) in consideration of CITIZEN's record of paying dividends and emphasizing the stable and continuous payment of dividends.

The acquisition of treasury stock will be judged flexibly depending on the situation, taking into account business performance, capital composition, investment plan, stock price and other market conditions.

CITIZEN's basic policy is to pay dividends twice a year as interim and year-end dividends. The body responsible for determining the amount of year-end dividends of surplus is the shareholders at the general meeting of shareholders, and the Board of Directors is responsible for determining the amount of interim dividends.

For the fiscal year under review, we intend to pay an annual dividend of 45 yen per share (with an interim dividend of 22.5 yen per share) in consideration of the balance between its consolidated business results and the stability of dividends.

(note) DOE = "Total amount of dividends" / Shareholders' equity (average of amounts at beginning and end of fiscal year)"

Business Risks

Of the matters regarding business and accounting situations, etc., described in the financial statements in security reports, the main risks that the operator recognizes as having the possibility of significantly impacting the financial condition, business performance, or cash flow condition of consolidated companies are as follows.

1. Risks in Each of the Group's Businesses

The Citizen Group's main business is to manufacture and sell watches, machine tools, electronic devices, and electronic products. The Group operates its business all over the world, and our customers include both individuals and various manufacturers. Therefore, our operating results are influenced by various factors, some of which are listed below.

Watches

Competition in the watch market is intensifying, not only from Japanese brands but also from high-end Swiss brands, low-end Chinese manufacturers, and smartwatch manufacturers, along with alternative products such as smartphones with watch functions. With respect to movements, demand for analog quartz movements is trending downward, primarily in the low-end range, reflecting an increase in demand for smartwatches. In addition, unit prices are falling due to an intensifying competitive environment resulting mainly from the rise of Chinese manufacturers. Consequently, there is a risk of a decline in the quantity and market share.

Machine Tools

The machine tools business is susceptible to the effects of decline in demand for capital investment caused by economic fluctuations; soaring natural resource and raw material prices; regulations or significant changes in laws and regulations in countries and regions in which the Group operates its business. There is a risk that the Group's business performance could be adversely affected by the above in the future.

Devices and Components

The devices and components business is characterized by the rapid pace of technological innovation, changes in customer requirements, and high rates of new product and service introduction. Accordingly, declining sales prices, etc., caused by the obsolescence of existing products and services could significantly affect the Group's business performance. Precision machining components are susceptible to the trends of technical innovation among customers, including automotive and smart phone manufacturers. As for opto-devices, patent licensing agreements are concluded for manufacturing certain products. Our business results could be affected should a cooperative relationship underpinning a patent agreement break down and access to the patent be lost.

The electronic and other products business is susceptible to declining capital expenditure, customer business activities, and personal spending as a result of changing economic conditions, as well as stricter product safety-related laws, regulations, and standards, that might affect future business performance. Intense competition from electronics manufacturers in China and other countries in addition to domestic manufacturers, as well as rapid technological innovation, a drop in sales prices, and delays in development, could affect our business performance.

2. Overseas Sales

Overseas sales account for a high percentage of the Group's overall product sales. As our products are sold worldwide, our operating results might be affected by economic and consumer trends in each area, as well as by political and socioeconomic factors.

(Millions of yen)

	(April 1, 2023, to March 31, 2024)		(April 1, 2024, to March 31, 2025)	
	Net sales	Composition rate (%)	Net sales	Composition rate (%)
Japan	82,745	26.5	80,475	25.4
Asia	71,535	22.9	74,454	23.5
U.S.	85,720	27.4	91,887	29.0
Europe	69,914	22.4	66,781	21.1
Other	2,914	0.9	3,286	1.0
Total overseas sales	230,084	73.6	236,409	74.6
Total	312,830	100.0	316,885	100.0

3. Foreign Currency Fluctuation Risk

As overseas sales account for a high percentage of the Group's product sales, as mentioned in 2. above, we enter into foreign currency contracts, currency options, and other such transactions to hedge against risks. Although we are expanding and strengthening our overseas production, currency fluctuations might still affect the Group's operating results.

4. Manufacturing in China

China is one of main production bases for the Group's products. It is therefore possible for our operating results to be affected by factors in China, such as the suspension of production due to problems, the enactment of new regulations that could affect production, or the sharp appreciation of the Chinese yuan.

5. Impairment Loss

An impairment loss would be applicable if the market value of the Group's assets were to decline significantly or the profitability of our business were to deteriorate. This might affect the Group's operating results and financial position.

6. Patent and Intangible Property

As part of the Group's R&D and production activities, we make use of a variety of technologies covered by intellectual property rights. These include intellectual property rights that are owned by the Citizen Group, and others for which we believe we have legitimately received licenses to use. Nevertheless, should a third party claim, based on grounds of which we are unaware, that its intellectual property rights have been violated, a dispute could arise that could affect the Group's business results. For some products in particular, manufacturing is based on patent licensing agreements. If a cooperative relationship underpinning such an agreement were to break down, or access to the relevant patent were to be lost, it could affect our business results.

7. Risk Related to Natural Disaster Such as Earthquakes

We have established a Group risk management system to avoid any injury or damage to facilities in the event of a fire, an earthquake, or other disaster through drills and other safety activities at our headquarters and works. In the event of a particularly serious earthquake or other such disaster, however, our production activities and product supplies could be affected. There might also be a significant impact on our operating results and financial position due to reconstruction costs, for example.

8. Risks Related to M&As and Business Alliances

We are committed to strengthening the Group's business foundations through M&A and business alliances. When undertaking such activities, we carry out comprehensive research into and examinations of the companies involved. Nevertheless, there might be risks that we discover later, such as unrealized liabilities or obstacles in implementing projects, which could materially affect the Group's operating results and financial position.

9. Risk Related to Borrowings

The Group's borrowings include syndicated loans and commitment line agreements with financial institutions. Any violation of financial restrictions under such agreements could result in demands for the accelerated repayment of the relevant borrowings, which could affect the Group's financial position.

10. Risks Related to Information Security

With the number of illegitimate accesses and external cyberattacks continuously growing globally, the Group has been working to strengthen information security. However, in the event of any damages to its information system function due to an external cyberattack or for other reasons, or the occurrence of incidents such as the suspension of services by service providers, the Group's business activities, business performance, and financial conditions could be seriously affected.

The Group holds and manages, in a variety of forms, personal information obtained from customers and other sources, as well as confidential information related to the technologies, research and development, manufacturing, and sales of the Group and customers. The Group has been taking measures to protect such confidential information. Even so, such measures might not work effectively if any matters that are not expected to occur arise. If, therefore, such information is disclosed without any authority, the Group might be asked for compensation for losses and damages, or face lawsuits, which might affect the business performance, financial conditions, reputation, and credibility of the Group.

11. Other Risks

The Group's operating results might be affected by a variety of factors in addition to the above, including changes in social infrastructure and market competition as a result of rapid advances in technology, changes in the Group's financial or managerial situation as a result of ongoing restructuring initiatives, trading restrictions in major markets in Japan or overseas, international taxation risk including the transfer pricing taxation system, or substantial changes in stock or bond markets.

Consolidated Balance Sheets

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2024 and 2025

(Millions of yen)

	As of March 31, 2024		As of March 31, 2025	
Assets				
Current assets				
Cash and deposits	¥	81,312	¥	93,755
Notes and accounts receivable—trade	*1*6	57,754	*1	53,928
Electronically recorded monetary claims—operating	*6	3,056		2,969
Merchandise and finished goods		64,977		61,000
Work in process		26,472		26,251
Raw materials and supplies		24,600		24,018
Consumption taxes refund receivable		2,659		2,519
Other		8,178		8,707
Allowance for doubtful accounts		(1,272)		(1,200)
Total current assets		267,741		271,950
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*4*5	43,146	*4	42,435
Machinery, equipment and vehicles, net	*4	18,634	*4	19,703
Tools, furniture and fixtures, net		4,477		4,797
Land		10,529		11,231
Leased assets, net		7,722		6,646
Construction in progress		3,477		6,807
Total property, plant and equipment	*2	87,987	*2	91,621
Intangible assets				
Software		4,368		5,723
Other		837		799
Total intangible assets		5,206		6,523
Investments and other assets				
Investment securities	*3	46,602	*3	36,993
Long-term loans receivable		182		—
Deferred tax assets		6,058		6,061
Other		1,979		2,484
Allowance for doubtful accounts		(313)		(82)
Total investments and other assets		54,510		45,457
Total non-current assets		147,703		143,602
Total assets	¥	415,445	¥	415,445

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 18,712	¥ 17,894
Electronically recorded obligations—operating	9,482	8,018
Notes payable—facilities	115	47
Electronically recorded obligations—non-operating	2,057	2,870
Short-term borrowings	*7 10,077	*7*9 15,180
Income taxes payable	2,315	2,445
Accrued expenses	12,252	12,021
Provision for bonuses	6,548	6,368
Provision for bonuses for directors (and other officers)	328	386
Provision for product warranties	1,264	1,207
Provision for loss on reorganization	104	60
Other	*8 12,381	*8 11,052
Total current liabilities	75,641	77,553
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	*7 42,433	*7*9 37,027
Deferred tax liabilities	5,334	2,183
Provision for loss on reorganization	5	2
Retirement benefit liability	16,777	16,490
Lease liabilities	7,380	6,006
Other	1,737	2,140
Total non-current liabilities	83,668	73,852
Total liabilities	159,310	151,405
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,739	33,747
Retained earnings	124,466	137,961
Treasury shares	(1,698)	(1,669)
Total shareholders' equity	189,156	202,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,561	11,592
Foreign currency translation adjustment	41,558	40,196
Remeasurements of defined benefit plans	382	1,441
Total accumulated other comprehensive income	58,502	53,230
Non-controlling interests	8,475	8,228
Total net assets	256,134	264,147
Total liabilities and net assets	¥ 415,445	¥ 415,552

Consolidated Statements of Income

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2024 and 2025

(Millions of yen)

	Year ended March 31, 2024		Year ended March 31, 2025	
Net sales	¥	*1 312,830	¥	*1 316,885
Cost of sales		*9 181,447		*9 182,334
Gross profit		131,383		134,550
Selling, general and administrative expenses		*2*3 106,314		*2*3 113,958
Operating profit		25,068		20,592
Non-operating income				
Interest income		1,364		1,396
Dividend income		1,292		1,154
Rental income		105		85
Share of profit of entities accounted for using equity method		1,361		940
Foreign exchange gains		2,879		-
Subsidy income		81		83
Other		328		462
Total non-operating income		7,413		4,122
Non-operating expenses				
Interest expenses		334		353
Loss on sale of notes receivable—trade		12		10
Depreciation of assets for rent		40		37
Commission for purchase of treasury shares		586		-
Bond issuance costs		53		-
Provision of allowance for doubtful accounts		173		-
Foreign exchange losses		-		738
Other		469		550
Total non-operating expenses		1,670		1,690
Ordinary profit		30,810		23,024
Extraordinary income				
Gain on sale of investment securities		554		7,562
Gain on sale of shares of subsidiaries		414		-
Gain on sale of non-current assets		*4 45		*4 616
Other		12		68
Total extraordinary income		1,026		8,248
Extraordinary losses				
Loss on sale of non-current assets		*6 28		*6 10
Loss on retirement of non-current assets		*5 559		*5 124
Impairment losses		*7 1,677		*7 1,209
Reorganization cost		*8 13		*8 58
Extra retirement payments		-		208
Other		228		126
Total extraordinary losses		2,507		1,739
Profit before income taxes		29,329		29,533
Income taxes—current		8,213		7,355
Income taxes—deferred		(1,689)		(1,627)
Total income taxes		6,524		5,728
Profit		22,805		23,805
Loss attributable to non-controlling interests		(152)		(71)
Profit attributable to owners of parent	¥	22,958	¥	23,876

Consolidated Statements of Comprehensive Income

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2024 and 2025

	(Millions of yen)	
	Year ended March 31, 2024	Year ended March 31, 2025
Profit	¥ 22,805	¥ 23,805
Other comprehensive income		
Valuation difference on available-for-sale securities	6,400	(4,969)
Foreign currency translation adjustment	15,411	(1,256)
Remeasurements of defined benefit plans, net of tax	345	1,140
Share of other comprehensive income of entities accounted for using equity method	772	(152)
Total other comprehensive income	* 22,930	* (5,237)
Comprehensive income	45,736	18,567
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	45,572	18,604
Comprehensive income attributable to non-controlling interests	¥ 163	¥ (36)

Consolidated Statements of Changes in Equity

Financial year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,648	33,740	150,483	(28,581)	188,290
Changes during period					
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(9,809)		(9,809)
Profit attributable to owners of parent			22,958		22,958
Purchase of treasury shares				(12,305)	(12,305)
Disposal of treasury shares		0		22	22
Cancellation of treasury shares		(39,166)		39,166	-
Transfer from retained earnings to capital surplus		39,166	(39,166)		-
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	(26,017)	26,883	865
Balance at end of period	32,648	33,739	124,466	(1,698)	189,156

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,161	25,659	67	35,888	8,596	232,775
Changes during period						
Purchase of shares of consolidated subsidiaries						(0)
Dividends of surplus						(9,809)
Profit attributable to owners of parent						22,958
Purchase of treasury shares						(12,305)
Disposal of treasury shares						22
Cancellation of treasury shares						-
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	6,400	15,898	315	22,614	(121)	22,493
Total changes during period	6,400	15,898	315	22,614	(121)	23,358
Balance at end of period	16,561	41,558	382	58,502	8,475	256,134

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,648	33,739	124,466	(1,698)	189,156
Changes during period					
Purchase of shares of consolidated subsidiaries		7			7
Dividends of surplus			(10,381)		(10,381)
Profit attributable to owners of parent			23,876		23,876
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		0		31	31
Cancellation of treasury shares					-
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity					
Total changes during period	-	7	13,495	29	13,531
Balance at end of period	32,648	33,747	137,961	(1,669)	202,688

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	16,561	41,558	382	58,502	8,475	256,134
Changes during period						
Purchase of shares of consolidated subsidiaries						7
Dividends of surplus						(10,381)
Profit attributable to owners of parent						23,876
Purchase of treasury shares						(2)
Disposal of treasury shares						31
Cancellation of treasury shares						-
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	(4,969)	(1,361)	1,058	(5,272)	(246)	(5,519)
Total changes during period	(4,969)	(1,361)	1,058	(5,272)	(246)	8,012
Balance at end of period	11,592	40,196	1,441	53,230	8,228	264,147

Consolidated Statements of Cash Flows

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2024 and 2025

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	¥ 29,329	¥ 29,533
Depreciation	12,327	13,596
Increase (decrease) in provision for loss on reorganization	(8)	(47)
Increase (decrease) in allowance for doubtful accounts	103	(290)
Increase (decrease) in other provisions	27	(121)
Increase (decrease) in retirement benefit liability	245	792
Interest and dividend income	(2,657)	(2,551)
Subsidy income	(81)	(83)
Interest expenses	334	353
Loss (gain) on valuation of investment securities	62	73
Loss (gain) on sale of investment securities	(549)	(7,562)
Loss (gain) on sale of shares of subsidiaries	(414)	-
Loss (gain) on sale of non-current assets	(16)	(605)
Loss on retirement of non-current assets	559	124
Impairment losses	1,677	1,209
Decrease (increase) in trade receivables	972	3,544
Decrease (increase) in inventories	(74)	4,320
Increase (decrease) in trade payables	(8,627)	(2,055)
Other, net	5,215	930
Subtotal	38,427	41,161
Interest and dividends received	2,659	2,554
Interest paid	(331)	(357)
Income taxes refund (paid)	(6,272)	(7,676)
Subsidies received	81	83
Net cash provided by (used in) operating activities	34,564	35,765
Cash flows from investing activities		
Purchase of investment securities	(1)	(136)
Proceeds from sale of investment securities	2,721	9,505
Purchase of property, plant and equipment	(15,915)	(17,071)
Proceeds from sale of property, plant and equipment	210	977
Purchase of intangible assets	(1,946)	(2,552)
Loan advances	(3)	-
Proceeds from collection of loans receivable	3	1
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(0)	-
Other, net	2,233	(756)
Net cash provided by (used in) investing activities	(12,697)	(10,032)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,645)	172
Proceeds from long-term borrowings	1,000	10,000
Repayments of long-term borrowings	(1,029)	(10,486)
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	(10,000)	-
Dividends paid	(9,809)	(10,381)
Dividends paid to non-controlling interests	(233)	(160)
Purchase of treasury shares	(12,891)	(2)
Proceeds from sale of treasury shares	0	31
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	(0)
Other, net	(1,385)	(1,714)
Net cash provided by (used in) financing activities	(26,994)	(12,542)
Effect of exchange rate change on cash and cash equivalents	6,264	(930)
Net increase (decrease) in cash and cash equivalents	1,137	12,259
Cash and cash equivalents at beginning of period	79,201	80,338
Cash and cash equivalents at end of period	¥ * 80,338	¥ * 92,597

Notes

(Significant Matters That Serve as the Basis for the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 72
Deconsolidation: 2 companies
- (2) Non-consolidated subsidiaries: 8
Major non-consolidated subsidiaries
Citizen Customer Service Co., Ltd.
(Reason for exclusion from scope of consolidation)
They were excluded from the scope of consolidation because the sum of total assets, net sales, current term net profit or loss (amount corresponding to equity), retained earnings (amount corresponding to equity), etc., of each of the deconsolidated subsidiaries is negligible compared to the overall total assets, net sales, current term net profit or loss, retained earnings, etc., in the consolidated financial statements and does not have significant impact on the said statements as a whole.

2. Matters Related to the Application of the Equity Method

- (1) Number of affiliates accounted for using the equity method: 1
Marubeni Citizen-Cincom Inc.,
- (2) Non-consolidated subsidiaries (Citizen Customer Service Co., Ltd.) and affiliates (VELDT Inc., etc.) that are not accounted for using the equity method are excluded from the scope of application of the equity method because they have minimal impact on the consolidated financial statements in light of their respective current term net profit or loss (amount corresponding to equity), retained earnings (amount corresponding to equity), etc., and because they are not material as a whole.

3. Fiscal Years of Consolidated Subsidiaries

- (1) Consolidated subsidiaries for which the account closing dates are different from the consolidated account settlement date are as follows:
December 31 closing dates: 49 companies
- (2) The Company makes necessary adjustments for formulating consolidated financial statements on the account closing date, by preparing financial statements that are the basis for consolidated financial statements.

4. Matters Related to Accounting Policies

Accounting policies adopted by consolidated subsidiaries conform to the standards used by the Company, in principle, and there are no differences to be specified. Major accounting policies adopted by the Company and its consolidated subsidiaries are as follows:

- (1) Valuation standards and methods for important assets
 - (i) Securities
Other securities
Securities other than shares, etc., without market prices
These securities are stated using market value method. (Unrealized gains and losses are reported as a component of net assets, and cost of sales is computed primarily by the moving-average method.)
Shares, etc., without market prices
These securities are stated using the moving-average cost method.
 - (ii) Derivatives
These securities are stated using the market value method.
 - (iii) Inventories
Inventories are stated at cost mainly using the periodic average method. (The amount stated in the balance sheet is calculated using the book value write-down method based on a reduction in profitability.)
- (2) Depreciation method of important depreciable assets
 - (i) Property, plant and equipment (excluding lease assets)
The straight-line method is applied.
The principal useful lives of property, plant and equipment are as follows:
Buildings and structures: 2 to 60 years
Machinery, equipment and vehicles: 1 to 10 years
 - (ii) Intangible assets (excluding lease assets)

The straight-line method is applied.

- (iii) Leased assets
For depreciation of leased assets for finance lease transactions other than those involving ownership transfer, the useful life is based on the duration of the lease period, and the straight-line method is applied with an assumed residual value of zero.
- (3) Accounting method for significant deferred assets.
Bond issuance costs
They are collectively amortized in the fiscal year in which they are incurred.
- (4) Accounting for significant allowances and reserves
 - (i) Allowance for doubtful accounts
To reserve for losses on doubtful accounts such as trade receivables and loans, the Company and its consolidated subsidiaries in Japan provide an allowance, based on historical write-off rates for ordinary receivables and estimated amounts of irrecoverable debt for specified receivables such as debt with a possibility of default which takes into account the recoverability of individual debt. Moreover, estimated amounts of allowance are recorded for overseas consolidated subsidiaries, considering the recoverability of individual receivables.
 - (ii) Provision for bonuses
To provide for the payment of bonuses to employees of the Company and certain of its consolidated subsidiaries, allowance for bonuses is provided based on estimated future payments.
 - (iii) Provision for bonuses for directors (and other officers)
To provide for the payment of bonuses to officers of the Company and certain of its consolidated subsidiaries, allowance for bonuses is provided based on estimated future payments.
 - (iv) Provision for product warranties
A portion of sales is provided for costs for after-sale services, etc., of products at certain consolidated subsidiaries.
 - (v) Provision for loss on business reorganization and liquidation
To reserve for expenses and losses from business restructuring, an estimated required amount is recorded.
- (5) Accounting method for retirement benefits
 - (i) Method for attributing expected retirement benefits to periods of service
In calculating projected benefits obligations, the periodic allocation of projected retirement benefits up to the end of the current period is based mainly on the benefit formula basis.
 - (ii) Treatment of unrecognized actuarial differences and past service costs
Actuarial differences are to be charged to expenses from the fiscal year following the year in which the past service costs occur, over a fixed number of years (using the declining balance method on the basis of 5 years, in principle) within the average remaining years of service of employees as of each fiscal year in which the past service costs occur.
Past service cost is treated as an expense over a fixed number of years (using the declining balance method on the basis of 5 years, in principle) within the average remaining years of service of employees as of the year in which the past service costs occur.
 - (iii) Adoption of the simplified method by companies that are small in size
Some consolidated subsidiaries adopt, for the purpose of calculating retirement benefit liability and retirement benefit expenses, a simplified method involving the recognition of retirement benefit obligations as the amount of retirement benefit payable at fiscal year-end due to voluntary termination.
- (6) Accounting standards for income and expenses
The Citizen Group's main business is to manufacture and sell watches, machine tools, electronic devices, and electronic products.

The Company believes that its performance obligation regarding the recognition of revenues from sale of goods is satisfied when the control over the goods is transferred to customers and revenues are recognized at the time of the transfer.

Transaction prices are calculated by deducting variable consideration, including future sales returns and other rebates, from the consideration the customer promises in a contract. Variable consideration is estimated based on the past track record and information available as of the end of the consolidated fiscal year under review, and is revaluated at every fiscal year-end.

In the watches segment, membership-based inspection services are provided to customers. In the said services, performance obligations related to the sale of products and performance obligations related to inspection services are identified separately and revenue is recognized when each performance obligation is satisfied. As considerations regarding these performance obligations are generally paid within one year from the time they are satisfied, no significant financing component is involved.

- (7) Standard for translation of significant foreign currency denominated assets or liabilities into yen
Foreign currency monetary assets and liabilities are translated into yen at the year-end spot exchange rate, and translation adjustments are accounted for as profit or loss. For overseas subsidiaries, etc., assets and liabilities are converted into yen based on the spot exchange rate on consolidated account settlement day, and revenue and expenses are converted into yen by using the average exchange rate during the fiscal year, while the difference arising from the conversion is shown in the net assets section as foreign currency translation adjustment and non-controlling interests.
- (8) Scope of funds in the consolidated statement of cash flows
Cash and cash equivalents are composed of cash on hand, deposits that can be withdrawn at any time and short-term investments that are readily convertible into cash and face only slight risks of fluctuation in value, with redemption due dates arriving within three months from the acquisition date.

(Significant Accounting Estimates)

1. Impairment Loss on Non-Current Assets

- (1) Amounts posted to the consolidated financial statements for the fiscal year under review
The amount of impairment loss on non-current assets is the same as that described in Notes (Consolidated Statement of Income) 7. Impairment losses.
- (2) Information about important accounting estimates related to items identified
Regarding assets or assets group that are determined to show indications of having suffered impairment losses based on market prices of non-current assets and gains/losses stemming from business activities that use the said assets or assets group, if the carrying amount of the said asset or asset group exceeds the sum of the undiscounted future cash flows, the Group reduces the book value to their recoverable value and recognizes the reduction as impairment loss. The recoverable value is the higher of the net selling price or the value in use. The net sale price is calculated rationally. The value in use is calculated as the discounted present value of future cash flows. Expected future cash flows are calculated based on business plans approved by the board of directors, etc., markets outlook, etc.

The Group carefully monitors signs of impairment and recognizes and measures impairment losses. However, any changes in conditions or assumptions for impairment loss estimates due to changes in business plans or the market environment could have significant effects on the consolidated financial statements for the next fiscal year.

2. Valuation of Inventories

- (1) Amounts posted to the consolidated financial statements for the fiscal year under review

	(Millions of yen)	
	As of March 31, 2024	As of March 31, 2025
Merchandise and finished goods	64,977	61,000
Work in process	26,472	26,251
Raw materials and supplies	24,600	24,018

- (2) Information about important accounting estimates related to items identified
The main inventories at the Group are inventories in watches, and they are stated at cost mainly using the periodic average method. (The amount stated in the balance sheet is calculated using the book value write-down method based on reduction in profitability.) If the net selling price of inventories is below the book value, the book value is lowered to the net selling price. For backlogged inventories that are no longer in the operating cycle or inventories expected to be disposed of the write-down is calculated using a book value write-down rate that is determined according to the length of time the inventories have been retained, which is set mainly based on past sales and disposal records. Through this, the book values are regularly reduced and factors for declining profitability are reflected. The assumptions used to set the book value write-down rate are affected by changes in the market environment and are uncertain. Any changes in the assumptions used in the valuation of inventories that become necessary could significantly affect the amount of inventories that will be posted in the consolidated financial statements for the next fiscal year.

(Change in Accounting Policies)

- (Application of Accounting Standard for Current Income Taxes, etc.)
The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") effective from beginning of the first quarter of the fiscal year under review. The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.
- For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter of the fiscal year under review. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous interim consolidated accounting period and previous fiscal year are after retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

- (Issued but not yet adopted accounting standards)
(Accounting Standard, etc. for Leases)
• Accounting Standard, etc. for Leases (ASBJ Statement No. 34 issued by Accounting Standards Board of Japan on September 13, 2024)
• ASBJ Guidance on Accounting Standard for Leases (ASBJ

Guidance No. 33 issued by Accounting Standards Board of Japan on September 13, 2024), etc.

(1) Overview

As a part of its efforts to increase the compatibility of Japanese and international accounting standards, The Accounting Standards Board of Japan (the "ASBJ") reviewed Japanese accounting standards from the perspective of international standards with a view toward the development of accounting standards for leases under which the lessee is required to recognize assets and liabilities for all leases. The basic policy of the ASBJ is to base the standards on the single lessee accounting model introduced in IFRS 16 Leases, but rather than adopt all of the its principles, the ASBJ has only adopted the major principles of IFRS 16 Leases so that, in principle, individual financial statements made using the principles of IFRS 16 Leases will not require any corrections. Regarding accounting treatment for lessees, a single accounting treatment method under which it is required to post the depreciation cost of right-of-use assets and the amount equivalent to the interest rates for lease liabilities for all leases is applied for all leases, regardless of whether it is a financing or operating lease, in the same manner as in IFRS 16 Leases.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Impacts of the application of the relevant accounting standards

CITIZEN is currently evaluating the impact of the adoption of the Accounting Standard, etc. for Leases on consolidated financial statements.

(Additional Information)

(Performance-linked stock remuneration plan)

(1) Transaction overview

The Company has introduced a performance-linked compensation system (the "System") for its Directors (excluding Outside Directors and non-residents in Japan; hereinafter referred to as "Directors") for the purpose of further clarifying the link between the compensation to the Directors and the value of the Company's stock and giving them greater motivation to make contributions to improve business performance and increase enterprise value over the medium and long term.

The System employs a framework called the Board Incentive Plan trust (hereinafter "the BIP Trust"). The BIP Trust is similar to the performance-based stock compensation (Performance Share) plan and the restricted stock compensation (Restricted Stock) plan in the United States. Under the BIP Trust, shares of the Company's stock are issued, and money obtained by realizing the said shares is delivered to Directors according to their positions and degree of contribution to achievement of the Company's performance targets.

(2) The Company's shares remaining in the BIP Trust

The Company's shares remaining in the BIP Trust are posted as treasury shares in the net assets section. The book value and number of such treasury shares were 286 million yen and 449,254 shares, respectively, at the end of the previous consolidated fiscal year, and 255 million yen and 399,810 shares, respectively, at the end of the consolidated fiscal year under review.

(Notes to Consolidated Balance Sheets)

*1. Of notes receivable—trade and accounts receivable—trade, the amounts of those receivables arising from contracts with customers are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable	365	187
Accounts receivable	57,388	53,740

*2. The accumulated depreciation of property, plant and equipment is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Accumulated depreciation	242,104	238,036

*3. Items provided to non-consolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Investment securities (shares)	6,394	5,799

*4. The accumulated amount of tax purpose reduction entry of property, plant and equipment due to the acceptance of national subsidies, etc., is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Buildings and structures	229	214
Machinery, equipment and vehicles	11	9

*5. Assets pledged as collateral and secured liabilities Assets pledged as collateral are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Buildings and structures	1,267	—

*6. Bills and electronically recorded monetary claims - operating that matured on the last day of the consolidated fiscal year Although the last day of the consolidated fiscal year under review was a holiday for financial institutions, the bills and electronically recorded monetary claims - operating that matured on that day are accounted for as if they had been settled on the maturity date. The values of notes that matured on the last day of the fiscal year under review and electronically recorded monetary claims - operating are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable-trade	24	—
Electronically recorded monetary claims	45	—

*7. The Group has signed overdraft agreements and commitment line agreements with four correspondent banks in order to efficiently procure operating funds. The unused balance of borrowings under these agreements at the consolidated fiscal year-end is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Total of overdraft limit and loan commitment	59,680	61,340
Outstanding borrowing balance	—	—
Difference	59,680	61,340

*8. Of Other, contract liabilities are as shown below.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Contract liabilities	1,631	1,209

*9. Financial covenants

The 5,000 million yen borrowing based on the loan agreement dated March 26, 2020 which CITIZEN entered into with a syndicate of six regional banks with Mizuho Bank, Ltd. and the Bank of Tokyo-Mitsubishi UFJ, Ltd. acting as arrangers is subject to the following financial covenants.

- (1) The amount of net assets on the consolidated balance sheet at the end of each fiscal year and as of the last day of the second quarter after deducting the amount of currency exchange translation adjustments shall be no less than 75% of the amount of net assets on the consolidated balance sheet on the same date in the previous year.
- (2) Operating profit or loss indicated on the consolidated income statement at the end of each fiscal year after the fiscal year ended March 31, 2020 shall not indicate a loss for two consecutive fiscal years. The first time compliance with this item shall be evaluated will be for the fiscal year ended March 31, 2021 and the immediately preceding fiscal year.

Additionally, the 30,000 million yen borrowing based on the loan agreement dated August 5, 2020 which CITIZEN entered into with a syndicate of three city banks including the Bank of Tokyo-Mitsubishi UFJ, Ltd. and two regional banks with Mizuho Bank, Ltd. acting as the arranger and the Bank of Tokyo-Mitsubishi UFJ, Ltd. acting as the co-arranger is subject to the following financial covenants.

- (1) The amount of net assets on the consolidated balance sheet at the end of each fiscal year and as of the last day of the second quarter after deducting the amount of currency exchange translation adjustments shall be no less than 75% of the amount of net assets on the consolidated balance sheet on the same date in the previous year.
- (2) Operating profit or loss indicated on the consolidated income statement at the end of each fiscal year after the fiscal year ended March 31, 2021 shall not indicate a loss for two consecutive fiscal years. The first time compliance with this item shall be evaluated will be for the fiscal year ended March 31, 2022 and the immediately preceding fiscal year.

Additionally, the 5,000 million yen borrowing based on the loan agreement dated March 26, 2025 which CITIZEN entered into with a syndicate of three city banks including Mizuho Bank, Ltd. with Mizuho Bank, Ltd. acting as arranger is subject to the following financial covenants.

- (1) The amount of net assets on the consolidated balance sheet at the end of each fiscal year and as of the last day of the second quarter after deducting the amount of currency exchange translation adjustments shall be no less than 75% of the amount of net assets on the consolidated balance sheet on the same date in the previous year.
- (2) Operating profit or loss indicated on the consolidated income statement at the end of each fiscal year after the fiscal year ended March 31, 2025 shall not indicate a loss for two consecutive fiscal years. The first time compliance with this item shall be evaluated will be for the fiscal year ended March 31, 2026 and the immediately preceding fiscal year.

Additionally, the 5,000 million yen borrowing based on the loan agreement dated March 26, 2025 which CITIZEN entered into with a syndicate of three other financial institutions with Mizuho Bank, Ltd. and the Bank of Tokyo-Mitsubishi UFJ, Ltd. acting as arrangers is subject to the following financial covenants.

- (1) The amount of net assets on the consolidated balance sheet at the end of each fiscal year and as of the last day of the second quarter after deducting the amount of currency exchange translation adjustments shall be no less than 75%

of the amount of net assets on the consolidated balance sheet on the same date in the previous year.

- (2) Operating profit or loss indicated on the consolidated income statement at the end of each fiscal year after the fiscal year ended March 31, 2025 shall not indicate a loss for two consecutive fiscal years. The first time compliance with this item shall be evaluated will be for the fiscal year ended March 31, 2026 and the immediately preceding fiscal year.

Additionally, the commitment line agreement dated September 30, 2024 which CITIZEN entered into with a syndicate of three city banks including the Bank of Tokyo-Mitsubishi UFJ, Ltd. with Mizuho Bank, Ltd. acting as arranger and the Bank of Tokyo-Mitsubishi UFJ, Ltd. acting as co-arranger, is subject to the following financial covenants.

- (1) The amount of net assets on the consolidated balance sheet at the end of each fiscal year and as of the last day of the second quarter after deducting the amount of currency exchange translation adjustments shall be no less than 75% of the amount of net assets on the consolidated balance sheet on the same date in the previous year.
- (2) Operating profit or loss indicated on the consolidated income statement at the end of each fiscal year after the fiscal year ended March 31, 2025 shall not indicate a loss for two consecutive fiscal years. The first time compliance with this item shall be evaluated will be for the fiscal year ended March 31, 2026 and the immediately preceding fiscal year.

(Notes to Consolidated Statements of Income)

*1. Revenue from contracts with customers

Net sales are not broken down into revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in Notes to the Consolidated Financial Statements (Revenue Recognition)
1. Information on the breakdown of revenue from contracts with customers.

*2. Major components of selling, general and administrative expenses and their amounts are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Depreciation	4,680	5,181
Provision of allowance for doubtful accounts	(58)	(68)
Provision for bonuses	3,091	3,336
Provision for bonuses for directors (and other officers)	303	443
Retirement benefit expenses	1,935	1,841
Personnel expenses	35,370	37,397
Advertising expenses	20,666	22,612
Provision for product warranties	69	(66)
Research and development expenses	5,807	5,671

*3. The total amount of research and development expenses included in general and administrative expenses is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Research and development expenses	5,807	5,671

*4. Gain on sale of non-current assets mainly consisted of the following.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	0	475
Machinery, equipment and vehicles	43	23
Land	–	51

*5. Loss on retirement of non-current assets mainly consisted of the following.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	375	50
Machinery, equipment and vehicles	124	27
Tools, furniture and fixtures	18	19

*6. Loss on sale of non-current assets mainly consisted of the following.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	20	0
Machinery, equipment and vehicles	8	8
Tools, furniture and fixtures	0	2

*7. Impairment losses

The Group posted an impairment loss in the asset groups below.
Fiscal year ended March 31, 2024

Location	Use	Type
Japan	Furniture, opto-devices production facilities, software, etc.	Tools, furniture and fixtures, machinery equipment and vehicles, software, etc.
Switzerland	Watch production facilities, etc.	Machinery equipment and vehicles, etc.
China	Electronic device production facilities, Healthcare device production facilities, etc.	Machinery equipment and vehicles, tools, furniture and fixtures, etc.

Fiscal year ended March 31, 2025

Location	Use	Category
Japan	Funitures, opto-devices production facilities, healthcare device production facilities, construction in progress, software, etc.	Tools, furnitures and fixtures, machinery equipment and vehicles, construction in progress, software, etc.
Switzerland	Watch production facilities, etc.	Machinery equipment and vehicles, etc.
China	Opto-devices production facilities, healthcare device production facilities, etc.	Machinery equipment and vehicles, tools, furniture and fixtures, etc.
Hong Kong	Opto-devices production facilities	Machinery equipment and vehicles, tools, furniture and fixtures, etc.

The Company and its consolidated subsidiaries are grouped by business unit based on managerial accounting categories, and these groups are regarded as the smallest units that generate cash flows, in principle. Regarding certain consolidated subsidiaries, each subsidiary is designated part of a group based on its size. Moreover, assets for which the association with a specific business is not clear, such as those for the head office, are considered shared assets. In the previous consolidated fiscal year, carrying amounts have been reduced to recoverable amounts, mainly for assets with no plan to be used in the future and operating assets with deteriorated profitability, and the said reduction was recorded as impairment loss (1,677 million yen) under extraordinary losses.

This mainly consisted of machinery, equipment and vehicles amounting to 676 million yen, tools, furniture and fixtures amounting to 393 million yen, software amounting to 230 million yen, construction in progress amounting to 187 million yen, and buildings and structures amounting to 87 million yen.

In the consolidated fiscal year under review, carrying amounts have been reduced to recoverable amounts, mainly for assets with no plan to be used in the future and operating assets with deteriorated profitability, and the said reduction was recorded as impairment loss (1,209 million yen) under extraordinary losses. This mainly consisted of machinery, equipment and vehicles amounting to 583 million yen, construction in progress amounting to 336 million yen, tools, furniture and fixtures amounting to 152 million yen and software amounting to 115 million yen.

The recoverable value is calculated based on net realizable sale price or value in use. The net realizable sale price is stated using disposal value, while value in use is calculated by discounting expected future cash flows at a discount rate of 10%.

*8. Reorganization cost comprises the following.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Reorganization cost	13	58

Reorganization cost in the previous consolidated fiscal year mainly comprised business structural reform expenses for the watches segment.

Reorganization cost in the consolidated fiscal year under review mainly comprises business structural reform expenses for the devices and components segment.

*9. Year-end inventories indicate an amount after the carrying amount is lowered due to a decline in profitability, and the following loss on valuation of inventories is included in cost of sales. The amounts below indicate those obtained by offsetting against reversals.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
	(792)	(126)

(Notes to Consolidated Statements of Comprehensive Income)

*Reclassification adjustment and tax effect related to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Valuation difference on available-for-sale securities:		
Amount that occurred in the fiscal year under review	8,667	489
Reclassification adjustment	554	(7,562)
Before income tax and tax effect adjustment	9,222	(7,073)
Amount of income tax and tax effect	(2,821)	2,104
Valuation difference on available-for-sale securities	6,400	(4,969)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	15,832	(1,256)
Reclassification adjustment	(420)	–
Before income tax and tax effect adjustment	15,411	(1,250)
Amount of income tax and tax effect	–	–
Foreign currency translation adjustment	15,411	(1,256)
Remeasurements of defined benefit plans, net of tax:		
Amount that occurred in the fiscal year under review	287	1,165
Reclassification adjustment	113	18
Before income tax and tax effect adjustment	400	1,183
Amount of income tax and tax effect	(54)	(42)
Remeasurement of defined benefit plans, net of tax	345	1,140
Share of other comprehensive income of entities accounted for using equity method:		
Amount that occurred in the fiscal year under review	777	(152)
Reclassification adjustment	(4)	–
Share of other comprehensive income of entities accounted for using equity method	772	(152)
Total other comprehensive income	22,930	(5,237)

(Notes to Consolidated Statements of Changes in Equity)

Fiscal year ended March 31, 2024

1. Class and Number of Issued Shares and Class and Number of Treasury Shares

	Number of shares at beginning of consolidated fiscal year under review	Increase in number of shares during consolidated fiscal year under review	Decrease in number of shares during consolidated fiscal year under review	Number of shares at end of consolidated fiscal year under review
Issued shares				
Common shares	294,000,000	–	48,000,000	246,000,000
Total	294,000,000	–	48,000,000	246,000,000
Treasury shares				
Ordinary shares (Notes 2, 3, 4, 5)	35,334,190	14,879,042	48,034,631	2,178,601
Total	35,334,190	14,879,042	48,034,631	2,178,601

- Notes:
1. The decrease in the total number of outstanding shares, 48,000,000, is due to the cancellation of treasury stock.
 2. The increase of 14,879,042 shares in the number of treasury stock resulted from an increase of 14,875,100 shares through market purchases and an increase of 3,942 shares through purchases of shares less than one unit.
 3. The 48,034,631-share decrease in treasury stock is attributed to a decrease of 48,000,000 shares due to the cancellation of treasury stock, a decrease of 34,508 shares due to the delivery and sale of shares to former directors by the BIP trust, and a decrease of 123 shares due to requests for the purchase of shares less than one unit.
 4. The number of treasury stock at the beginning of the consolidated fiscal year under review includes 483,762 shares held by the executive compensation BIP trust.
 5. The number of treasury stock at the end of the consolidated fiscal year under review includes 449,254 shares held by the executive compensation BIP trust.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2023	Common shares	4,923	19.00	March 31, 2023	June 29, 2023
Board of Directors meeting on November 3, 2023	Common shares	4,885	20.00	September 30, 2023	December 5, 2023

- Notes:
1. Total dividends resolved at the ordinary general meeting of shareholders on June 28, 2023, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 9 million yen.
 2. Total dividends resolved at the Board of Directors' meeting on November 3, 2023, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 8 million yen.

(2) Of dividends for which the record date is in the consolidated fiscal year under review, those for which the effective date is in the next consolidated fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2024	Common shares	Retained earnings	4,885	20.00	March 31, 2024	June 26, 2024

Note: Total dividends resolved at the ordinary general meeting of shareholders on June 25, 2024, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 8 million yen.

Fiscal year ended March 31, 2025

1. Class and Number of Issued Shares and Class and Number of Treasury Shares

	Number of shares at beginning of consolidated fiscal year under review	Increase in number of shares during consolidated fiscal year under review	Decrease in number of shares during consolidated fiscal year under review	Number of shares at end of consolidated fiscal year under review
Issued shares				
Common shares	246,000,000	–	–	246,000,000
Total	246,000,000	–	–	246,000,000
Treasury shares				
Ordinary shares (Notes 1, 2, 3, 4)	2,178,601	2,659	49,530	2,131,730
Total	2,178,601	2,659	49,530	2,131,730

Notes: 1. The increase of 2,659 shares in the number of treasury stock is due to an increase of purchases of shares less than one unit.

2. The decrease of 49,530 in the number of treasury stock resulted from a decrease of 49,444 due to the cancellation of treasury stock and a decrease of 86 due to requests for additional purchases of shares less than one unit.

3. The number of treasury stock at the beginning of the consolidated fiscal year under review includes 449,254 shares held by the executive compensation BIP Trust.

4. The number of treasury stock at the end of the consolidated fiscal year under review includes 399,810 shares held by the executive compensation BIP Trust.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2024	Common shares	4,885	20.00	March 31, 2024	June 26, 2024
Board of Directors meeting on November 1, 2024	Common shares	5,496	22.50	September 30, 2024	December 5, 2024

Notes: 1. Total dividends resolved at the ordinary general meeting of shareholders on June 25, 2024, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 8 million yen.

2. Total dividends resolved at the Board of Directors' meeting on November 11, 2024, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 8 million yen.

(2) Of dividends for which the record date is in the consolidated fiscal year under review, those for which the effective date is in the next consolidated fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2025	Common shares	Retained earnings	5,496	22.50	March 31, 2025	June 26, 2026

Note: Total dividends resolved at the ordinary general meeting of shareholders on June 25, 2025, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 8 million yen.

(Notes to Consolidated Statements of Cash Flows)

*Relationship between "Cash and cash equivalents at end of year" and account items listed in the Consolidated Balance Sheets
(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash and deposits	81,312	93,755
Time deposits for which the deposit period is more than three months	(952)	(1,120)
Specified deposits for the BIP Trust	(21)	(37)
Cash and cash equivalents	80,338	92,597

(Millions of yen)

(Lease Transactions)

(Lessee)

1. Finance Lease Transactions

Non-ownership-transfer finance lease transactions

(i) Leased assets

Property, plant and equipment

They mainly consist of buildings and structures.

- (ii) Method of depreciation/amortization of leased assets
As stated in 4. Matters Related to Accounting Policies (2)
Depreciation method of important depreciable assets.

2. Operating Lease Transactions

Noncancelable future operating lease payments

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Within 1 year	8	18
Over 1 year	18	29
Total	27	48

(Financial Instruments)

1. Matters Related to the Status of Financial Instruments

(1) Policy on financial instruments

The Group has the policy of limiting its fund management activities to short-term deposits and the like and to conduct fund procurement primarily through loans from banks and other financial institutions and the issuance of bonds. The Group uses derivative transactions only for the purpose of avoiding the risks described below and does not conduct derivative transactions for speculative purposes.

(2) Description of financial instruments and their risks

Notes and accounts receivable—trade, which are operating receivables, are exposed to the credit risk of customers. Foreign currency—denominated trade receivables arising from conducting business in overseas markets are exposed to foreign exchange fluctuation risk. Investment securities consist primarily of stock of business partners and are exposed to market price fluctuation risk.

Most of the notes payable—trade and accounts payable—trade, which are operating payables, mature in one year or less. Borrowings and bonds are mainly for procuring funds that are used for working capital, refinancing for long-term loans, and strategic investment. The Group is exposed to liquidity risk from its operating payables and loans payable. Regarding derivative transactions, the Group uses forward foreign exchange contracts for the purpose of hedging currency fluctuation risk associated with foreign currency—denominated trade receivables and payables.

(3) Risk management system related to financial instruments

(i) Credit risk (risk related to business connections' contract nonperformance) management

In accordance with the receivable management rules, the Company and its consolidated subsidiaries have systems enabling the management of due dates and balances and periodic assessment of major trading partners' credit standing. In using derivative transactions, the Group uses financial institutions with high credit standing to mitigate credit risk in the event of nonperformance by counterparties.

(ii) Market risk management

Regarding foreign currency—denominated trade receivables arising from conducting business in overseas markets, the Group uses forward foreign exchange contracts for the purpose of hedging certain currency fluctuation risk, in principle, excluding trade receivables denominated in the same currencies.

Regarding investment securities, their market values are periodically reported to the Board of Directors. Moreover, the shareholding status is continually reviewed, taking into consideration relationships with, and the financial conditions, etc., of, business partners.

Derivative transactions are executed and managed by the sections in charge in accounting divisions, etc., of the respective companies, and the results of transactions are reported to executives in charge of accounting or the relevant general managers.

- (iii) Management of liquidity risk in financing (risk of failure to pay on due dates)

The Company and the Group prepare and update cash flow plans in a timely manner based on reports from the Group companies and manage liquidity risk by such means as maintaining liquidity on hand.

(4) Supplementary explanation regarding the fair value of financial instruments

The fair value of financial instruments is based on market prices or reasonable calculations in the absence of market quotations. Because the calculations of fair values include variable factors, fair values could change when different assumptions are used. In addition, the contract amounts, etc., of derivative transactions described in (Note to derivative transactions) are not an indicator of risk associated with derivative transactions.

2. Matters Related to the Market Prices of Financial Instruments, etc.

Consolidated Balance Sheet Amounts, Market Prices, and Differences Between Them Are as Follows:

As of March 31, 2024

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities*2			
Available-for sale securities	29,426	29,426	-
(2) Long-term loans receivable	182		
Allowance for doubtful accounts*3	(182)		
	-	-	-
Total assets	29,426	29,426	-
(1) Bonds payable (including current portion of bonds payable)	10,000	9,974	(26)
(2) Long-term borrowings (including current portion of long-term borrowings payable)	52,443	51,777	(666)
Total liabilities	62,443	61,751	(692)
Derivative transactions*4	(189)	(189)	-

Notes: 1. Information regarding "cash and deposits," "notes and accounts receivable—trade," "electronically recorded monetary claims—operating," "notes and accounts payable—trade," "electronically recorded obligations—operating," "electronically recorded obligations—non-operating," and "short-term borrowings" has been omitted because these items are cash and their fair values are proximate to their book values due to settlement in short periods.

2. Stocks and others without quoted market prices are not included in (1) Investment securities. The said financial instrument's consolidated balance sheet amount is as follows:

Category	Fiscal year ended March 31, 2024 (Millions of yen)
Unlisted shares	17,175

3. The allowances for doubtful accounts recorded for individual long-term receivables are subtracted.

4. Net claims and obligations resulting from derivative transactions are shown at net amounts. Net obligations are shown in parentheses.

As of March 31, 2025

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities*2 Available-for-sale securities	20,413	20,413	-
Total assets	20,413	20,413	-
(1) Bonds payable (including current portion of bonds payable)	10,000	9,747	(253)
(2) Long-term borrowings (including current portion of long-term borrowings payable)	52,037	51,250	(787)
Total liabilities	62,037	60,997	(1,040)
Derivative transactions*4	(13)	(13)	-

*1. Information regarding "cash and deposits," "notes and accounts receivable—trade," "electronically recorded monetary claims—operating," "notes and accounts payable—trade," "electronically recorded obligations—operating," "electronically recorded obligations—non-operating," and "short-term borrowings" has been omitted because these items are cash and their fair values are proximate to their book values due to settlement in short periods.

*2. As the financial instruments below do not have market quotations and as it is considered extremely difficult to assess their fair values, they are not included in (1) Investment securities.

Category	Fiscal year ended March 31, 2024 (Millions of yen)
Unlisted shares	16,580

*3. Net claims and obligations resulting from derivative transactions are shown at net amounts. Net obligations are shown in parentheses.

Note 1: Amount of money claims to be redeemed after consolidated closing date

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	81,312	-	-	-
Notes and accounts receivable—trade	57,717	36	-	-
Electronically recorded monetary claims—operating	3,056	-	-	-
Long-term loans receivable	-	182	-	-
Total	142,086	218	-	-

As of March 31, 2025

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	93,755	-	-	-
Notes and accounts receivable—trade	53,859	68	-	-
Electronically recorded monetary claims—operating	2,969	-	-	-
Total	150,585	68	-	-

Note 2: Scheduled redemption amounts of bonds, long-term borrowings, lease obligations, and other interest-bearing liabilities with maturity after the consolidated accounts settlement date.

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	67	-	-	-	-	-
Bonds payable	-	-	-	-	10,000	-
Long-term borrowings	10,010	15,073	10,073	16,051	1,027	206
Lease liabilities	1,452	1,762	1,301	950	812	2,553
Total	11,530	16,836	11,374	17,001	11,840	2,760

As of March 31, 2025

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	170	-	-	-	-	-
Bonds payable	-	-	-	10,000	-	-
Long-term borrowings	15,010	10,010	16,010	1,007	5,000	5,000
Lease liabilities	1,781	1,541	1,010	812	749	1,892
Total	16,961	11,551	17,021	11,819	5,749	6,892

3. Breakdown of Financial Instruments by Level of Market Value

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of fair values.

Level 1 fair value:

Fair value calculated using market prices, on an active market, of assets or liabilities for which the fair value is calculated of the observable inputs related to the calculation of fair value

Level 2 fair value:

Fair value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to the calculation of fair value

Level 3 fair value:

Fair value calculated using inputs that are not observable related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs for which the priority is lowest in the calculation of fair value.

(1) Financial instruments stated at fair value in the consolidated balance sheet
As of March 31, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	29,426	—	—	29,426
Derivative transactions				
Currency	—	16	—	16
Total assets	29,426	16	—	29,443
Derivative transactions				
Currency	—	205	—	205
Total liabilities	—	205	—	205

As of March 31, 2025

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	20,413	—	—	20,413
Derivative transactions				
Currency	—	8	—	8
Total assets	20,413	8	—	20,421
Derivative transactions				
Currency	—	21	—	21
Total liabilities	—	21	—	21

(2) Financial instruments other than those stated at fair value in the consolidated balance sheet
As of March 31, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	9,974	—	9,974
Long-term borrowings	—	51,777	—	51,777
Total liabilities	—	61,751	—	61,751

As of March 31, 2025

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	9,747	—	9,747
Long-term borrowings	—	51,250	—	51,250
Total liabilities	—	60,997	—	60,997

Note: Explanations about assessment techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investment securities

Listed shares are assessed using fair values. Listed shares are traded on an active market and their fair values are categorized into Level 1.

Derivative transactions

Fair values of exchange contracts are calculated by the present discounted value method, using interest rates, foreign exchange rates, and other observable inputs and are categorized under Level 2 fair value.

Bonds payable

Fair values of bonds issued by the Company are calculated by the present discounted value method, using the total amount of principal and interest and a rate adjusted by remaining periods of the said bonds and credit risk. These bonds are categorized under Level 2 fair value.

Long-term borrowings

Fair values of long-term borrowings are calculated by the present discounted value method, using the total amount of principal and interest and a rate adjusted by remaining periods of the said borrowings and credit risk. These borrowings are categorized under Level 2 fair value.

(Notes to Securities)

1. Available-for-Sale Securities

As of March 31, 2024

(Millions of yen)				
	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Other securities for which the book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	29,426	7,216	22,210
	(2) Bonds			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds payable	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	29,426	7,216	22,210
Other securities for which the book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	—	—	—
	(2) Bonds			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds payable	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		29,426	7,216	22,210

As of March 31, 2025

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Other securities for which the book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	20,412	5,275	15,137
	(2) Bonds			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds payable	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	20,412	5,275	15,137
Other securities for which the book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	0	0	(0)
	(2) Bonds			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds payable	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	0	0	(0)
Total		20,413	5,276	15,137

2. Available-for-Sale Securities That Were Sold

Fiscal year ended March 31, 2024

(Millions of yen)

Type	Sale price	Total gain on sales	Total loss on sales
(1) Stocks	2,721	554	—
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	2,721	554	—

Fiscal year ended March 31, 2025

(Millions of yen)

Type	Sale price	Total gain on sales	Total loss on sales
(1) Stocks	9,521	7,562	—
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	9,521	7,562	—

3. Investment securities on which impairment losses were posted Fiscal year ended March 31, 2024

Not applicable

Fiscal year ended March 31, 2025

Not applicable

(Notes to Derivative Transactions)

1. Derivative Transactions to Which Hedge Accounting Is Not Applied

Currencies

As of March 31, 2024

(Millions of yen)

Category	Type	Contract value, etc.	Value of contract for more than one year	Fair value	Valuation gains or losses
Transactions other than market transactions	Forward exchange contracts				
	Long position				
	USD	285	—	9	9
	EUR	2,390	—	(136)	(136)
	CNY	1,151	—	(8)	(8)
	THB	983	—	(11)	(11)
	Short position				
	USD	310	—	(5)	(5)
	JPN	666	—	(36)	(36)
Total		5,788	—	(189)	(189)

As of March 31, 2025

(Millions of yen)

Category	Type	Contract value, etc.	Value of contract for more than one year	Fair value	Valuation gains or losses
Transactions other than market transactions	Forward exchange contracts				
	Long position				
	USD	484	—	(1)	(1)
	EUR	886	—	1	1
	CNY	1,302	—	(4)	(4)
	THB	623	—	(0)	(0)
	Short position				
	JPY	700	—	(8)	(8)
Total		3,996	—	(13)	(13)

2. Fair Values to Which Hedge Accounting Is Applied

Notes related to interest rates

As of March 31, 2024

Not applicable.

As of March 31, 2025

Not applicable.

(Retirement Benefits)

1. Outline of the Retirement Benefits System

The Company and its domestic consolidated subsidiaries have adopted lump-sum withdrawal payment systems and retirement benefit systems under defined contribution systems.

In addition, some of the overseas consolidated subsidiaries have adopted defined benefit systems or defined contribution systems.

In calculating their retirement benefits obligations, some of the consolidated subsidiaries have adopted the simplified method under which an amount required to be paid for voluntary resignations at fiscal year-end is assumed to be equal to retirement benefits obligations.

Moreover, the Company has instituted a retirement benefit trust.

2. Defined Benefit Plans

(1) Reconciliation of defined benefit obligation at beginning and end of period

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Defined benefit obligation at beginning of period	26,045	27,097
Service costs	1,060	1,488
Interest costs	130	219
Amount of net actuarial gain/loss	24	(1,301)
Retirement benefits paid	(1,155)	(1,763)
Exchange adjustments	928	(3)
Other	62	337
Defined benefit obligation at end of period	27,097	26,073

Note: Includes systems that apply simplified methods.

(2) Reconciliation of balance of plan assets at beginning and end of period

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Plan assets at beginning of period	9,473	10,319
Expected return on plan assets	107	667
Amount of net actuarial gain/loss	298	(230)
Employer contribution	–	87
Retirement benefits paid	(147)	(946)
Exchange adjustments	586	(50)
Others	–	144
Plan assets at end of period	10,319	9,990

Note: Includes systems that apply simplified methods.

(3) Reconciliation of retirement benefit obligation and plan assets with net retirement benefit liabilities and assets reflected on the consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Defined benefit obligation for funded plan	6,487	17,032
Plan assets	(10,319)	(9,990)
	(3,831)	7,042
Retirement benefit obligation for unfunded plan	20,609	9,040
Net amount of liabilities and assets on the consolidated balance sheets	16,777	16,082
Retirement benefit liability	16,777	16,490
Retirement benefit asset	–	(408)
Net amount of liabilities and assets on the consolidated balance sheets	16,777	16,082

Note: Includes systems that apply simplified methods.

(4) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Service costs	1,060	1,488
Interest costs	130	219
Expected return on plan assets	(107)	(667)
Expense for actuarial losses	110	17
Amortization of prior service costs	2	0
Retirement benefit expenses related to defined benefit plans	1,196	1,058

Note: Retirement benefit expenses are included in service cost at consolidated subsidiaries using the simplified method.

(5) Remeasurements of defined benefit plans, net of tax

Breakdown of remeasurements of defined benefit plans, net of taxes, is as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Prior service costs	(2)	(94)
Actuarial gains and losses	(398)	(1,089)
Total	(400)	(1,183)

(6) Remeasurements of defined benefit plans

Breakdown of items posted as remeasurements of defined benefit plans (before deduction of income tax and tax effect) is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Unrecognized prior service costs	208	114
Unrecognized actuarial gains and losses	(690)	(1,779)
Total	(481)	(1,665)

(7) Pension plan assets

(i) Breakdown of plan assets

The ratios of each of the major categories to total pension assets are as follows:

	As of March 31, 2024	As of March 31, 2025
Stocks	12.7%	13.7%
Bonds	9.3%	9.0%
Cash and deposits	1.4%	1.0%
General account in life insurance	19.6%	23.1%
Investment trusts	54.8%	48.8%
Others	2.2%	4.4%
Total	100.0%	100.0%

Note: The retirement benefit trust accounts for 54.8% and 48.8% of total pension plan assets in the previous consolidated fiscal year and the consolidated fiscal year under review, respectively.

(ii) Method for setting expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into consideration the current and expected pension plan asset mix and expected long-term rates of return on a variety of pension plan assets.

(8) Basis for the calculation of actuarial gains and losses
Major assumptions for the calculation of actuarial gains and losses (weighted average)

	As of March 31, 2024	As of March 31, 2025
Discount rate	0.31%–4.85%	0.31%–4.85%
Expected long-term rate of return	0.31%–4.00%	0.31%–4.00%

3. Defined Contribution Plan

The required contribution amounts for the Company and its consolidated subsidiaries were 1,233 million yen and 1,279 million yen for the fiscal years ended March 31, 2024 and 2025, respectively.

(Tax Effect Accounting)

1. Breakdown of Key Factors Contributing to Deferred Tax Assets and Deferred Tax Liabilities

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Depreciable assets	2,650	2,130
Inventory write-down and unrealized gain	6,322	6,413
Retirement benefit liability	5,423	5,866
Allowance for doubtful accounts	664	360
Provision for bonuses	1,708	1,777
Losses carried forward (Note) 2	9,457	8,359
Investment securities	2,374	1,682
Provision for loss on business reorganization and liquidation	21	14
Others	7,729	7,383
Deferred tax assets subtotal	36,352	33,988
Valuation allowance related to tax losses carried forward (Note) 2	(7,838)	(7,842)
Valuation allowance related to deductible temporary differences	(17,751)	(14,477)
Valuation allowance subtotal (Note) 1	(25,589)	(22,320)
Total deferred tax assets	10,762	11,668
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(5,601)	(3,497)
Undistributed profits of overseas affiliated companies	(4,005)	(3,770)
Reserve for special depreciation	(146)	(149)
Others	(284)	(373)
Total deferred tax liabilities	(10,038)	(7,790)
Net deferred tax assets	724	3,877

(Note) 1: The main factor behind the change in valuation allowance is the revision of the recoverability of deferred tax assets.

(Note) 2: Tax losses carried forward and the related deferred tax assets allocated to each fiscal year when carryforwards expired.

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax losses carried forward*	527	318	312	299	195	7,804	9,457
Valuation allowance	(386)	(184)	(284)	(299)	(195)	(6,487)	(7,838)
Deferred tax assets	140	134	27	–	–	1,317	1,619

* The tax losses carried forward is an amount obtained by multiplying the effective statutory tax rate.

As of March 31, 2025

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax losses carried forward*	193	288	186	264	327	7,098	8,359
Valuation allowance	(193)	(288)	(186)	(264)	(314)	(6,595)	(7,842)
Deferred tax assets	–	–	–	–	13	503	517

* The tax losses carried forward is an amount obtained by multiplying the effective statutory tax rate.

2. Breakdown of Major Items That Caused a Significant Difference Between an Effective Statutory Tax Rate and a Percentage of Income Taxes After the Application of Tax Effect Accounting

	As of March 31, 2024	As of March 31, 2025
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible for tax purposes	0.4%	0.3%
Dividends income, etc., that is excluded from taxable income	(1.6%)	0.7%
Change in valuation allowance	(2.2%)	(6.8%)
Differences in tax rates between the parent and subsidiaries	(4.5%)	(3.9%)
Increase/decrease in amount of tax consequences pertaining to overseas retained earnings	(0.6%)	0.8%
Others	0.2%	(2.3%)
Percentage of effective income tax rate after the application of tax effect accounting	22.3%	19.4%

3. Correction of the amounts of deferred tax assets and deferred tax liabilities as a result of changes in statutory tax rates

The Act on Partial Revision of the Income Tax Act (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and a Defense Special Corporate Tax will be imposed beginning in the fiscal year starting April 1, 2026.

In conjunction with this, deferred tax assets and deferred tax liabilities related to temporary differences, etc. that are expected to be eliminated in the fiscal year beginning on April 1, 2026 and thereafter are mainly calculated by changing the statutory tax rate from 30.6% to 31.5%.

Due to this change, deferred tax liabilities for the fiscal year

under review (amount after deducting the amount of deferred tax assets) increased by 50 million yen, while income taxes – deferred decreased by 49 million yen and valuation difference on available-for-sale securities decreased by 100 million yen.

4. Accounting Method for Income Taxes and Local Corporate Taxes or Accounting Method for the Related Tax Effect Accounting

The Company and certain domestic consolidated subsidiaries are using the Group Tax Sharing System. Their accounting for income taxes and local corporate taxes and the related tax effect accounting and disclosure are in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force No. 42 issued on August 12, 2021).

(Revenue Recognition)

1. Information on the Breakdown of Revenue from Contracts with Customers

Fiscal year ended March 31, 2024

(Millions of yen)

	Watches	Machine Tools	Devices and Components	Electronics and Other Products	Total
Japan	27,522	19,462	23,178	12,382	82,545
Asia	35,773	19,931	12,605	3,224	71,535
U.S.	72,513	8,800	2,258	2,147	85,720
Europe	28,015	32,799	4,434	4,665	69,914
Others	2,240	635	10	28	2,914
Others Revenue from contracts with customers	166,065	81,629	42,487	22,448	312,630
Other revenue	140	-	-	59	199
Sales to external customers	166,205	81,629	42,487	22,507	312,830

Note: Other income comprises income in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

Fiscal year ended March 31, 2025

(Millions of yen)

	Watches	Machine Tools	Devices and Components	Electronics and Other Products	Total
Japan	28,880	14,481	23,196	13,855	80,413
Asia	34,024	25,456	11,109	3,863	74,454
U.S.	80,538	6,766	2,081	2,501	91,887
Europe	31,284	26,754	4,071	4,669	66,781
Others	2,390	859	5	30	3,286
Others Revenue from contracts with customers	177,119	74,318	40,464	24,921	316,823
Other revenue	2	-	-	59	61
Sales to external customers	177,121	74,318	40,464	24,981	316,885

Note: Other income comprises income in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Basic Information for Understanding Revenue from Contracts with Customers

Information that serves as a basis for understanding revenue is as stated in Notes to consolidated financial statements, Significant matters for preparing consolidated financial

statements, 4. Matters regarding accounting policies, (6) Standards for recognition of significant revenues and expenses.

3. Information About the Relationship Between the Fulfillment of Performance Obligations Based on the Contract with the Customer and the Cash Flow Generated from the Contract, and the Amount of Revenue Expected to Be Recognized from the Contract with the Customer Existing at the End of the Current Fiscal Year After the Next Fiscal Year and the Timing of Cash Flows

(1) Balance of contract liabilities

(Millions of yen)

	Fiscal year ended March 31, 2024	
	Balance at beginning of period	Balance at end of period
Contract liabilities	2,360	1,631

Contract liabilities are presented under "Other" in current liabilities in the consolidated balance sheet. Contract liabilities are recognized mainly when consideration for transactions accompanying the sale of products is received as advances prior to delivery of products and when consideration for transactions accompanying sales of products is received as advances in a lump sum in relation to membership-based inspection services in the watches segment. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized in the previous fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is 1,978 million yen.

(2) Transaction prices allocated to outstanding performance obligations

The Company and its consolidated subsidiaries apply the practical expedient to notes on the transaction prices allocated to outstanding performance obligations, and information with respect to contracts that have an original expected duration of one year or less is not included in the scope of notes. The sum of transaction value allocated to remaining performance obligations and the period of expected income recognition are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024
Within 1 year	95
Over 1 year	365
Total	460

(1) Balance of contract liabilities

(Millions of yen)

	Fiscal year ended March 31, 2025	
	Balance at beginning of period	Balance at end of period
Contract liabilities	1,631	1,209

Contract liabilities are presented under "Other" in current liabilities in the consolidated balance sheet. Contract liabilities are recognized mainly when consideration for transactions accompanying the sale of products is received as advances prior to delivery of products and when consideration for transactions accompanying sales of products is received as advances in a lump sum in relation to membership-based inspection services in the watches segment. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is 1,188 million yen.

(2) Transaction prices allocated to outstanding performance obligations

The Company and its consolidated subsidiaries apply the practical expedient to notes on the transaction prices allocated to outstanding performance obligations, and information with respect to contracts that have an original expected duration of one year or less is not included in the

scope of notes. The sum of transaction value allocated to remaining performance obligations and the period of expected income recognition are as follows: (Millions of yen)

	Fiscal year ended March 31, 2025
Within 1 year	92
Over 1 year	374
Total	467

(Segment Information)

1. Outline of Reportable Business Segments

The Citizen Group's reportable segments are group components for which separate financial information can be obtained. Each segment is subject to periodic examinations to allow the Board of Directors to decide how to allocate management resources and assess performance. The Citizen Group has adopted an operating holding company structure and comprehensive strategies are proposed and businesses are pursued by individual operating companies. Consequently, the Citizen Group, starting from a foundation of operating companies, manages its businesses through four reportable segments—Watches, Machine Tools, Devices and Components, and Electronic products—based on factors like similarity of types and characteristics of products. Each segment and its major products are as shown below.

Segment	Major products
Watches	Watches, Movements
Machine Tools	CNC lathes
Devices and Components	Auto parts, Quartz crystals, Motors, Chip LEDs
Electronics and Other Products	Printers, Health care equipments, etc.

2. Method for Calculating Sales, Profit/Loss, Assets, Liabilities, and Other Items for Reportable Segments

The accounting methods applied to the business segments reported are generally the same as those described under Basis of Presenting the Consolidated Financial Statements. Reportable segment income is based on operating profit. Inter-segment earnings and transfers are based on market prices.

3. Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Fiscal year ended March 31, 2024

(Millions of yen)

	Watches	Machine Tools	Devices	Electronics and Other Products
Net sales				
Sales to external customers	166,205	81,629	42,487	22,507
Inter-segment sales and transfers	80	304	1,769	636
Total	166,286	81,934	44,256	23,144
Segment income	19,851	9,029	463	1,588
Segment assets	212,331	93,534	66,410	23,366
Other items				
Depreciation	5,409	2,834	2,661	377
Investment in equity method affiliates	-	6,169	-	-
Increase in property, plant and equipment and intangible assets	11,281	6,054	2,933	493

	Total	Adjustments (Note 1)	Amount posted in the consolidated financial statements (Note 2)
Net sales			
Sales to external customers	312,830	-	312,830
Inter-segment sales and transfers	2,791	(2,791)	-
Total	315,621	(2,791)	312,830
Segment income	30,933	(5,864)	25,068
Segment assets	395,643	19,801	415,445
Other items			
Depreciation	11,283	1,044	12,327
Investment in equity method affiliates	6,169	-	6,169
Increase in property, plant and equipment and intangible assets	20,762	1,257	22,020

(1) The 5,864 million yen negative adjustment to segment income (operating profit) includes 118 million yen in inter-segment eliminations and 5,983 million yen in corporate expenses that could not be allocated to a particular segment.

(2) The 19,801 million yen positive adjustment to segment assets includes 60,018 million yen in corporate assets that could not be allocated to a particular segment and 40,216 million yen to eliminate inter-segment obligations.

(3) Depreciation cost adjustments apply to the entire company.

(4) The adjusted increases in property, plant and equipment and intangible assets apply to the entire company.

2. Segment income is adjusted with operating profit on the consolidated financial statements.

Fiscal year ended March 31, 2025

(Millions of yen)

	Watches	Machine Tools	Devices	Electronics and Other Products
Net sales				
Sales to external customers	177,121	74,318	40,464	24,981
Inter-segment sales and transfers	68	524	2,083	644
Total	177,189	74,843	42,548	25,626
Segment income	17,886	5,669	479	2,760
Segment assets	212,149	95,277	66,368	23,569
Other items				
Depreciation	6,336	2,989	2,831	402
Investment in equity method affiliates	-	5,609	-	-
Increase in property, plant and equipment and intangible assets	8,622	5,569	5,154	301

	Total	Adjustments (Note 1)	Amount posted in the consolidated financial statements (Note 2)
Net sales			
Sales to external customers	316,885	-	316,885
Inter-segment sales and transfers	3,321	(3,321)	-
Total	320,207	(3,321)	316,885
Segment income	26,797	(6,204)	20,592
Segment assets	397,365	18,187	415,552
Other items			
Depreciation	12,559	1,036	13,596
Investment in equity method affiliates	5,609	-	5,609
Increase in property, plant and equipment and intangible assets	19,647	1,262	20,910

Notes: 1.The following is descriptions of the adjustments.

- (1)The 6,204 million yen negative adjustment to segment income (operating profit) includes 117 million yen in inter-segment eliminations and 6,322 million yen in corporate expenses that could not be allocated to a particular segment.
- (2)The 18,187 million yen positive adjustment to segment assets includes 64,240 million yen in corporate assets that could not be allocated to a particular segment and 46,053 million yen to eliminate inter-segment obligations.
- (3)Depreciation cost adjustments apply to the entire company.
- (4)The adjusted increases in property, plant and equipment and intangible assets apply to the entire company.

2.Segment income is adjusted with operating profit on the consolidated financial statements.

(Reference Information)

Fiscal year ended March 31, 2024

1. Information by Product/Service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by Region

(1) Net sales

(Millions of yen)

Japan	Asia		U.S.		Europe	Others	Total
		Of which, China		Of which, the United States			
82,745	71,535	48,924	85,720	72,970	69,914	2,914	312,830

Note: Net sales are based on the geographical area of the customers and categorized by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia		U.S.		Others	Total
		Of which, Thailand		Of which, the United States		
50,812	20,964	8,101	9,477	8,561	6,732	87,987

3. Information by Major Customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statement of income.

Fiscal year ended March 31, 2025

1. Information by Product/Service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by Region

(1) Net sales

(Millions of yen)

Japan	Asia		U.S.		Europe	Others	Total
		Of which, China		Of which, the United States			
80,475	74,454	28,244	91,887	77,139	66,781	3,286	316,885

Note: Net sales are based on the geographical area of the customers and categorized by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia		U.S.		Others	Total
		Of which, Thailand		Of which, the United States		
54,988	20,148	8,335	8,765	7,979	7,718	91,621

3. Information by Major Customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statement of income.

Impairment Loss on Non-Current Assets by Reportable Segment

Fiscal year ended March 31, 2024

(Millions of yen)

	Watches	Machine Tools	Devices and Components	Electronics and Other Products	Corporate/elimination	Total
Impairment loss	898	-	581	197	-	1,677

Fiscal year ended March 31, 2025

(Millions of yen)

	Watches	Machine Tools	Devices and Components	Electronics and Other Products	Corporate/elimination	Total
Impairment loss	503	-	675	29	-	1,209

Information Related to Amortization of Goodwill and Unamortized Balance by Reportable Segment

Fiscal year ended March 31, 2024

Not applicable.

Fiscal year ended March 31, 2025

Not applicable.

Information on Negative Goodwill Generated for Each Reportable Segment

Fiscal year ended March 31, 2024

Not applicable.

Fiscal year ended March 31, 2025

Not applicable.

Related Party Information

Fiscal year ended March 31, 2024

- (1) Transactions between the company submitting consolidated financial statements and related parties
No applicable significant matter.

- (2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties
No applicable significant matter.

Fiscal year ended March 31, 2025

- (1) Transactions between the company submitting consolidated financial statements and related parties
No applicable significant matter.

- (2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties
No applicable significant matter.

(Per Share Information)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net assets per share	1,015.74 yen	1,049.41 yen
Earnings (loss) per share	93.60 yen	97.91 yen

The basis for calculation of earnings (loss) per share is as shown below.

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	22,958	23,876
Amount not attributed to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent in relation to common shares (Millions of yen)	22,958	23,876
Average number of shares of common stock outstanding during the period (thousand shares)	245,277	243,856

The basis for calculating net assets per share is as follows:

	As of March 31, 2024	As of March 31, 2025
Net assets (Millions of yen)	256,134	264,147
Amount deducted from total net assets (Millions of yen)	8,475	8,228
Non-controlling interests (Millions of yen)	(8,475)	(8,228)
Net assets related to common shares at the end of the fiscal year (Millions of yen)	247,659	255,918
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	243,821	243,868

The computation of the amount of net assets per share is based on the number of shares calculated by deducting the number of treasury shares at the end of a term and the number of shares owned under the BIP Trust at the end of the term from the total number of outstanding shares at the end of that term. The calculation of earnings per share or loss per share is based on the number of shares calculated by deducting the average number of

treasury shares during a term and the average number of shares owned under the BIP Trust during the said term from the average total number of outstanding shares during the said term. The average number of the Company's shares owned under the BIP Trust for the previous consolidated fiscal year was 459,171 and the number of the Company's shares at the end of the fiscal year was 449,254. The average number of the Company's shares owned under the BIP Trust for the consolidated fiscal year under review was 413,318 and the number of the Company's shares at the end of the fiscal year was 399,810.

Consolidated Supplementary Schedules

Bonds Schedule

Company name	Stock	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Collateral	Maturity date
Citizen Watch Co., Ltd.	4th Unsecured Bonds (The Sustainability-Linked Bond)	September 20, 2023	10,000	10,000	0.578	None	September 20, 2028
Total	—	—	10,000	10,000	—	—	—

Note: The scheduled amount of depreciation for five years from the consolidated account settlement date is as follows:

(Millions of yen)				
Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
—	—	—	1,000	—

Borrowings Schedule

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Due date
Short-term borrowings	67	170	2.1	—
Current portion of long-term borrowings	10,010	15,010	0.4	—
Current portion of lease liabilities	1,452	1,781	—	—
Long-term borrowings (excluding current portion of long-term borrowings)	42,433	37,027	0.4	2026–2032
Lease liabilities (excluding current portion of lease liabilities)	7,380	6,006	—	2026–2065
Other interest-bearing debt	—	—	—	—
Total	61,343	59,996	—	—

Notes: 1.The average number for the period is used to calculate the average rate.
2.The average interest rate for lease obligations is not stated because lease obligations before the deduction of interest included in total lease payments are posted in the consolidated balance sheets.
3.Lease obligations are accounted for by including the amounts in Other (current liabilities) and Other (non-current liabilities).
4.Long-term borrowings and lease liabilities (excluding the current portion of them) scheduled to be repaid within five years of the end of the fiscal year are as shown below.

(Millions of yen)				
Category	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
Long-term borrowings	10,010	16,010	1,007	5,000
Lease liabilities	1,541	1,010	812	749

Asset Retirement Obligations Schedule

The amount of asset retirement obligations at both the beginning and end of the fiscal year ended March 31, 2023, are less than 1% of the combined total of liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2023, and so have been omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

Other

Interim information in the fiscal year under review

(Cumulative period)	Six Months Ended September 30, 2024	Fiscal year ended March 31, 2025
Net sales (Millions of yen)	156,516	316,885
Profit (loss) before income taxes (Millions of yen)	17,513	29,533
Profit (loss) attributable to owners of parent (Millions of yen)	12,279	23,876
Earnings (loss) per share (yen)	50.36	97.91

Independent Auditors' Audit Report and Internal Control Audit Report

June 25, 2025

To the Board of Directors of
Citizen Watch Co., Ltd.

Nihombashi Corporation
Chuo-Ku, Tokyo

Tatsuya Orito
Designated and Engagement Partner
Certified Public Accountant

Shigehiro Chiba
Designated and Engagement Partner
Certified Public Accountant

Audit of Consolidated Financial Statements

Opinion

To conduct audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Citizen Watch Co., Ltd. For the consolidated fiscal year from April 1, 2024 to March 31, 2025 included in the Financial Information, namely, the consolidated balance sheet, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, significant matters that serve as a basis for the preparation of consolidated financial statements, other notes and consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizen Watch Co., Ltd. And its consolidated subsidiaries (the Group) as of March 31, 2025, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles for consolidated financial statements generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of judgments regarding indications of impairment of non-current assets and the need for recognition of impairment losses

Details of key issues of the audit and reasons for decision	How our audit addressed the issues
As stated in the consolidated statement of income, notes to consolidated statement of income(7) impairment losses, and segment information, the Company recorded impairment losses of 1,209 million yen in the consolidated fiscal year under review regarding the assets of businesses with declining profitability. The Company considers each business unit or subsidiary, categorized for management accounting purposes ("Business Units, etc.") as the smallest entity that generates cash flows. If there are any signs of impairment due to continued negative operating profit or loss within a Business Unit, etc. the carrying amount of the asset or asset group is compared with the total amount of undiscounted future cash flows from the asset or asset group to determine whether an impairment loss should be recognized. If it is determined that an impairment loss should be recognized, the carrying amount of the asset or asset group is reduced to its recoverable amount, and the reduction is recorded as an impairment loss. Since the determination of whether an impairment loss is recognized is based on profit and loss information for each Business Unit, etc. it is important to prepare materials that appropriately reflect the overall profit and loss results from the operating activities of each Business Unit, etc., as well as the existence of any significant deterioration in the business environment and other relevant events. The undiscounted future cash flows used to determine whether an impairment loss should be recognized are estimated based on the business plans of each Business Unit, etc. taking into account past performance and other factors. Significant assumptions used in estimating the undiscounted future cash flows include the sales growth rate and gross profit margin. The estimates are highly uncertain, and management's judgment has a significant impact on the estimates of future cash flows. Based on the above, the Audit Corporation concluded that these matters were particularly important in our audit of the consolidated financial statements for the consolidated fiscal year under review and constituted our principal audit consideration.	In evaluating the appropriateness of the Company's judgments regarding indications of the impairment of non-current assets and the need for the recognition of impairment, the Audit Corporation primarily conducted the following audit procedures. - Assessed the effectiveness of the design and operation of internal controls related to determining indications of impairment of non-current assets and the need to recognize impairment losses. - Reviewed the minutes of the meetings of the Board of Directors, etc., and examined whether the events identified were appropriately reflected in the determination of impairment to identify the events affecting the determination of impairment. - Reviewed the actual and projected profit and loss from the operating activities of each Business Unit, etc. as aggregated in the materials for the determination of impairment losses by comparing them with the relevant materials. - Reviewed the future cash flows to ensure they align with the business plan approved by the Board of Directors. - Assessed the degree of reliability and uncertainty of management's estimates by comparing actual cash flows with future cash flows estimated in prior fiscal years, analyzing any deviations, and asking management about the causes of discrepancies. - Asked management about the basis for their projections to evaluate the appropriateness of the key assumptions used in estimating undiscounted future cash flows, such as sales growth rates. - Evaluated the reasonableness of the assumptions by reviewing the evidence used for the assumptions, comparing the assumptions with projections published by external organizations, and analyzing them.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements and our auditor's reports thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Member and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board and its member for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Board Member and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Audit procedures are selected and performed at our discretion. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Member and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We report to Audit & Supervisory Board Members and the Audit & Supervisory Board in a statement that we have complied with the professional ethical regulations that are applicable in Japan regarding independence, matters that may reasonably be thought to affect our independence, and the content of safeguards, where measures were established to eliminate or effectively mitigate any impediment.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Internal Control Audit

Opinion

To conduct audit certification as prescribed in the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the internal control report of Citizen Watch Co., Ltd. dated March 31, 2025.

We consider that the aforementioned internal control report, in which Citizen Watch Co., Ltd. indicates that effective internal control is maintained pertaining to financial reporting as of March 31, 2025, properly reflects the evaluation results of internal control over financial reporting in all important respects, in compliance with internal control evaluation standards over financial reporting that are generally considered fair and reasonable in Japan.

Basis for Opinion

We have conducted the internal control audit in accordance with internal control audit standards over financial reporting that are generally considered fair and reasonable in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are further described in the "Auditor's responsibilities for the audit of internal control" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board and its member for the Internal Control Report

Management is responsible for the establishment and implementation of internal control as it pertains to financial reporting, as well as the preparation and appropriate presentation of internal control reports, in accordance with internal control evaluation standards over financial reporting that are considered generally fair and reasonable in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

It may not be possible, however, to fully prevent or identify the presentation of misstatements due to internal control over financial reporting.

Auditor's Responsibilities for the Audit of the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of internal control and to issue an audit report that includes our opinion. As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as below:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and result of the assessments that management presents.
- Obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Member and the Audit & Supervisory Board regarding the planned scope and timing of our audit of internal control, the results thereof, material weaknesses in internal control identified during our audit of internal control and those that were remediated, and other matters specified by the internal control standards.

We report to Audit & Supervisory Board Members and the Audit & Supervisory Board in a statement that we have complied with the professional ethical regulations that are applicable in Japan regarding independence, matters that may reasonably be thought to affect our independence, and the content of safeguards, where measures were established to eliminate or effectively mitigate any impediment.

Information Related to Compensation

Fees paid to persons belonging to the same network as our accounting auditor or an accounting firm we use for audits and attestation services of the Company and its subsidiaries and non-audit services are stated under (3) "Audits," "Corporate governance," "Company submitting the securities report."

Conflicts of interest

There is no conflict of interest between the Group and us or its engagement partners which should be disclosed under the provisions of the Certified Public Accountants Act.

Notes to the Readers of Independent Auditor's Report

This is merely an English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader. The original Auditor's Report shows an audit opinion for the full set of consolidated financial statements based on the Financial Instrumentals and Exchange Act of Japan. Therefore this English audit report does not show our opinion for this English annual report which is only the abbreviation of the above full set of consolidated financial statements.

End

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